

Flood 2025

Monsoon floods test Pakistan's resilience

07-Sep-2025

REP - 300



AHL Research

D: +92 21 3828 0283

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

E: research@arifhabibltd.com

EUROMONEY

Best Investment Bank for M&A: '25
Best Bank for Research: '25
Best for Research: '24
Best for Diversity & Inclusion: '24

ASIAMONEY

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

CFA Society Pakistan

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

INTERNATIONAL FINANCE

Best Brokerage House:
2023

FinanceAsia

Best Broker: '25
Best Equity Capital
Market House: '25

PSX
PAKISTAN
STOCK EXCHANGE
LIMITED

Top 25 Companies
('17-'19)

ASSET ASIAN AWARDS
TRIPLE A

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

CC
CENTRAL
DEPOSITORY
COMPANY

Excellence Award Leading
Brokerage House for RDA '21

Monsoon floods test Pakistan's resilience

Heavy monsoon rains in 2025 have once again placed Pakistan on alert, as persistent downpours triggered widespread flooding across the country, reviving memories of the devastating episodes of 2010 and 2022. According to the latest data from the National Disaster Management Authority (NDMA), around 854 casualties have been reported nationwide, with Khyber Pakhtunkhwa bearing the greatest toll (~484 lives lost), followed by Punjab (~209).

Beyond the human tragedy, nearly 9,000 homes have been damaged, most of them in KPK (~4.7k) and AJ&K (~2k). In addition, around 6,000 livestock have perished, further straining rural livelihoods. These numbers remain significantly lower than the destruction witnessed in 2022, when 2.3mn homes and 1.2mn livestock were lost. However, as the heaviest damage in 2022 was concentrated in Sindh, where 1.9mn homes were affected, and with the current flooding yet to advance into the province, reported losses may well rise in the days ahead.

The timing is particularly delicate. Pakistan's economy has been showing encouraging signs of recovery in 2025, supported by improvements in key macro indicators. Yet the unfolding floods add a fresh layer of uncertainty. Historically, such disasters have not only undermined agricultural output and rural incomes but also triggered ripple effects across supply chains, heightened food inflation, and slowed growth momentum. Against this backdrop, we assess the sectors most exposed to the aftershocks of the floods and their potential implications for the economy in the months ahead.

Exhibit: Province wise deaths and injuries						
	Deaths			Injured		
	2010	2022	2025td	2010	2022	2025td*
Punjab	110	223	223	262	3,858	653
KPK	1,156	308	489	1,198	370	359
Sindh	411	796	58	1,235	8,422	78
Baluchistan	54	336	26	104	187	5
GB	183	23	41	60	6	52
AJ&K	71	48	38	87	24	31
Islamabad	-	1	9	-	-	3
Total	1,985	1,735	884	2,946	12,867	1,181
Source: NDMA, AHL Research, *as of 04-Sep-2025						

Exhibit: Province wise home damage and livestocks				
Home Damage			Livestock	
	2022	2025td*	2022	2025td*
Punjab	67,981	237	205,106	121
KPK	91,463	4,702	21,328	5,460
Sindh	1,885,029	91	436,435	231
Balochistan	241,659	781	500,000	62
GB	1,793	1,254	609	67
AJ&K	555	2,162	792	239
Islamabad	-	65	-	-
Total	2,288,480	9,292	1,164,270	6,180
Source: NDMA, AHL Research, *as of 04-Sep-2025				

Rising toll and emerging challenges

The 2025 floods are still unfolding, and the full scale of their impact is yet to be determined, particularly as the flood has not reached Sindh with full intensity. So far, 854 deaths have been reported nationwide, compared with 1,735 in 2022, reflecting nearly a 50% lower toll at this stage. Injuries currently stand at 1,181, which is a sharp decline from the 12,867 injuries recorded in 2022, most likely as the brunt of the disaster has not yet fully materialized. The heaviest human losses have been concentrated in Khyber Pakhtunkhwa, where 484 lives have been lost, followed by 209 in Punjab, 58 in Sindh, and 41 in Gilgit-Baltistan. While the number of displaced persons and overall affected population is still being assessed, it is worth recalling that nearly 33mn people were impacted in 2022.

Exhibit: Flood Loss Comparison				
	Unit	2010	2022	2025td*
House Destroyed	Thousands	557	897.014	2.2
House Damaged	Thousands	1,608	1391.466	7.1
Deaths	No.	1,985	1,735	884
Injured	No.	2,946	12,867	1,181
Livestock Lost	Thousands	1,256	1164.27	6.18
Source (s): NDMA, AHL Research, *as of 04-Sep-2025				

Economic toll of Pakistan floods'25 likely to reach USD 1.4bn

Initial estimates place the economic cost of the 2025 floods at around PKR 409bn (USD 1.4bn), equivalent to 0.33% of GDP. Agriculture has absorbed the heaviest blow, with losses exceeding PKR 302bn (USD 1.0bn). This accounts for nearly three-fourths of the total and about 0.24% of GDP, reflecting the sector's acute vulnerability to climate shocks and the risks these events pose to food security and rural livelihoods. The transport and communication sector have also been hit hard, with damages valued at PKR 97.6bn (USD 333mn), or 0.08% of GDP. Beyond the direct financial cost, the destruction of roads, bridges, and communication networks disrupts connectivity, delays relief efforts, and slows the movement of goods, adding to the broader economic strain. Housing-related damages, although smaller in financial terms at PKR 8.95bn (USD 31mn, 0.01% of GDP), carry substantial social consequences since they directly affect household welfare and rehabilitation needs. Reported livestock losses are relatively minor at PKR 0.5bn (USD 2mn). In total, while the headline figure of 0.33% of GDP may appear modest from a macroeconomic perspective, this is only an initial assessment. As both direct and indirect repercussions become clearer in the days ahead, the final damage estimate is likely to be higher.

Exhibit: Loss assessment summary in value terms			
	Value (PKR mn)	Value (USD mn)	% of GDP
Housing	8,954	31	0.01%
Transport and Communication	97,635	333	0.08%
Agriculture	302,376	1,032	0.24%
Livestock	499	2	0.00%
Total	409,464	1,397	0.33%
Source: NDMA, MOF, AHL Research			

Agriculture destruction to shrink Pakistan's GDP growth by 29bps

Pakistan's growth trajectory, once showing signs of recovery, is again under strain as the 2025 floods devastate the agricultural sector. GDP, which expanded 6.2% in FY22 before contracting to -0.2% in FY23 amid macroeconomic instability and floods, staged a fragile rebound of 2.5% in FY24, lifted by a stellar 6.4% surge in agriculture. However, FY25 is expected to see only modest growth, as agriculture weighs on the outlook. Pre-flood projections for FY26 had placed growth at 3.4% (AHL's projections), but this has now been revised down to 3.2% as the agriculture forecast was slashed from 2.2% to just 1.1%. The latest floods have submerged millions of acres of farmland across the country, crippling output and threatening livelihoods. As per media reports, Punjab has borne the brunt, with about 1.3mn acres (526,000 hectares) of key crops, including rice, sugarcane, cotton, and maize, flooded, particularly in districts along the Ravi, Chenab, and Sutlej rivers. Sindh is also reeling, with reports suggesting nearly 80% of Bahawalnagar's cotton crop destroyed. Losses in Khyber Pakhtunkhwa are smaller but still significant, with around 3,200 acres (1,300 hectares) affected in districts such as Buner, Battagram, and Swat.

Assessment of major destruction

The 2025 floods have inflicted notable damage on Pakistan's agriculture sector, leaving large swathes of farmland inundated and crop yields under considerable threat. Although official figures from the NDMA so far suggest the scale is less severe than the catastrophic floods of 2010 and 2022, early assessments indicate meaningful losses that are likely to rise as more data becomes available. Given agriculture's 24% contribution to GDP, the economic consequences of such damage are substantial. Media reports suggest that agricultural output in affected regions may fall by 15–20%, translating into a 0.5–1.0% drag on national GDP growth in the current fiscal year. Beyond the immediate destruction, secondary repercussions such as soil salinity, disruptions in irrigation systems, and breakdowns in supply chains are expected to intensify the strain, potentially pushing food inflation higher by 20–30% and raising import needs for essential commodities like wheat and cotton by 10–15%, according to preliminary estimates.

To better gauge the potential impact, we constructed an illustrative scenario assuming a 10% loss across key crops. For sugarcane, last year's production reached 84mn tons, so a 10% reduction would imply a loss of approximately 8.0mn tons—significant, though not as devastating as during earlier flood episodes. Cotton output was recorded at 7.084mn bales across nearly 2,200k hectares, where a 10% decline translates into roughly 0.88mn bales at risk in FY26. Encouragingly, however, arrivals to date have surprised on the upside, with PCGA reporting 1.336mn bales received by August 31, reflecting a 9% year-on-year increase despite adverse conditions. Rice, cultivated on about 3,000k hectares with an average annual yield of 8–9mn tons, could face potential losses of 0.92mn tons under the 10% case, but some reports suggest the damage could be as high as 30%, raising the loss estimate to as much as 2.7mn tons.

Another vulnerable segment is livestock, which accounts for 60% of agriculture and nearly 14% of Pakistan's GDP. NDMA reports indicate that more than 6,000 livestock have perished in the recent floods, a stark contrast to the 1.3mn animals lost in 2010. While far smaller in scale, these losses still erode rural livelihoods and risk aggravating food insecurity through shortages of meat and milk.

Based on our base-case assumption of a 10% loss in crops, given that the final scale of damage is yet to be determined, we estimate the combined losses of crops and livestock at PKR 303bn (USD 1.03bn), equivalent to 0.24% of GDP. The heaviest hit is projected in sugarcane, with damages of PKR 88.4bn (USD 302mn, 0.07% of GDP), followed by rice at PKR 81.4bn (USD 278mn) and cotton at PKR 77.4bn (USD 264mn). Collectively, these three crops account for nearly three-fourths of the total damage, threatening both farm incomes and downstream industries such as textiles and sugar processing. Maize losses, valued at PKR 55.1bn (USD 188mn, 0.04% of GDP), further compound the pressure, particularly for food security and livestock feed supply. While livestock sector losses appear negligible in aggregate at PKR 0.5bn (USD 2mn), the micro-level impact on rural households could be far more severe, given that animals often serve as a critical buffer asset for small farmers.

Exhibit: Gross Domestic Product of Pakistan						
Items	FY22	FY23	FY24	FY25	FY26f (Pre-Flood)	FY26f (Post-Flood)
Commodity Producing Sector	5.5%	-0.5%	2.9%	2.3%	3.2%	2.5%
Agriculture Sector	4.2%	2.2%	6.4%	0.6%	2.2%	1.1%
Industrial Sector	7.0%	-3.7%	-1.5%	4.8%	4.6%	4.4%
Service Sector	6.7%	0.0%	2.3%	2.9%	3.6%	3.6%
GDP Growth	6.2%	-0.2%	2.5%	2.7%	3.46%	3.17%
Source (s): MoF, AHL Research						

Exhibit: Expected Loss of Crops and Livestock			
	Value (PKR mn)	Value (USD mn)	% of GDP
Cotton	77,358	264	0.06%
Sugarcane	88,447	302	0.07%
Maize	55,149	188	0.04%
Rice	81,423	278	0.06%
Livestock	499	2	0.00%
Total	302,875	1,034	0.24%
Source: NDMA, AHL Research			

Current account deficit could increase by USD 1.9bn

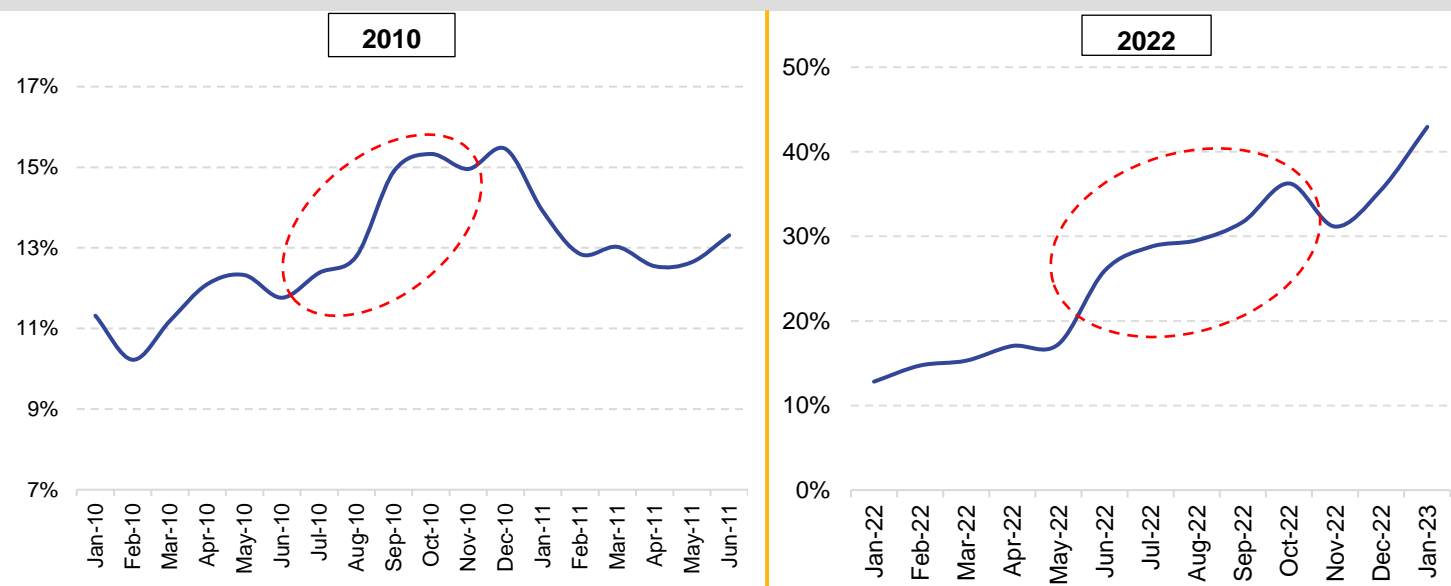
For FY26, our estimates suggest that Pakistan's trade balance may weaken by around USD 1.93bn as a result of the agricultural losses caused by the 2025 floods. The most notable pressure is expected from cotton, where domestic shortfalls could push imports up by 737k tons, costing about USD 1.06bn. This reflects the textile sector's dependence on cotton and highlights the risks that supply disruptions pose for the country's largest export-oriented industry. On the export side, the outlook also shows some strain. We expect textile exports to decline by roughly USD 300mn, while rice shipments may fall by 958k tons, translating into about USD 278mn in lower earnings. Sugar exports could contract by 708k tons, equivalent to around USD 283mn. Taken together, these reductions would bring total export losses to nearly USD 861mn. The combined effect of higher cotton imports and weaker exports in textiles, rice, and sugar would therefore amount to a trade balance impact of around USD 1.93bn in FY26. While this figure may not seem large compared to Pakistan's overall trade deficit, the concentration of losses in key sectors is meaningful. Textiles, rice, and sugar have historically supported foreign exchange inflows, and pressures here add to the challenges already facing the external account.

Exhibit: Impact on trade balance due to damage of important crops				
	Unit	Quantity	Price (\$)	Value (USD mn)
Expected increase in Imports				
Cotton	000 tons	737	1,444	1,064
Total Imports				1,064
Expected decline in Exports				
Textile				300
Rice	000 tons	958	290	278
Sugar	000 tons	708	400	283
Total Exports				861
Total Impact on Balance of Trade				1,925
Source (s): PBS, AHL Research				

CPI could touch 7.22% in FY26 post floods

As risks to crop yields and food security take shape, we expect inflation, which has already been a persistent challenge this year, to face further upward pressure. Meat, rice, vegetables, and sugar collectively carry a weight of around 20% in the CPI basket. Shortages in these items are therefore likely to fuel a price spike, which could lift our annual average CPI forecast for FY26 to 7.2%, compared with the pre-flood estimate of 5.5%. Signs of this strain are already visible. The latest SPI data for the first week of Sep'25 shows sharp increases in wheat, tomatoes, onions, and other vegetables, suggesting food inflation may rise by 4.3% MoM in Sep'25 alone, a pace last observed in July 2024 (4.68% MoM). Looking at past episodes for context, average food inflation during the floods of 2010 and 2022 rose sharply. In 1HFY11, food inflation averaged 14.4% YoY and 1.19% MoM, while in 1HFY23, it accelerated to 27.9% YoY and 2.26% MoM.

Exhibit: Food inflation during flood (YOY)



Source (s): PBS, AHL Research

Fiscal side - Rehabilitation estimated at PKR 107bn

On the fiscal front, the government will have to engage in mass rehabilitation and renovation efforts. With major infrastructure destroyed, people displaced and on the verge of starvation, immediate disbursements will have to be made for temporary rehabilitation and food distribution. Based on our initial estimates, the reconstruction cost, excluding agriculture and livestock, already stands at PKR 107bn (USD 364mn), a sizable amount that will put additional strain on the fiscal position. The bulk of these expenses will come from rebuilding roads and bridges, which alone account for more than PKR 97.6bn (USD 333mn) in losses. Given that transport and communication networks are lifelines for relief delivery and trade, the government will have no choice but to prioritize these investments, even as fiscal space remains constrained. Housing rehabilitation is another pressing area, with damages of nearly PKR 9bn (USD 31mn) affecting close to 9,000 households. The financing challenge is further complicated by the fact that agriculture-related losses, estimated at PKR 302bn (USD 1.03bn), will indirectly push fiscal costs higher. Subsidized credit, input support for farmers, and concessional imports (though challenging) of wheat, rice, and cotton are likely to be required to stabilize supply and prices. In addition, relief measures for livestock owners, despite the smaller aggregate loss of PKR 0.5bn (USD 2mn), will remain important given the role of livestock in rural livelihoods. Overall, while the headline fiscal burden from reconstruction is estimated at around PKR 107bn, the broader outlay could be much larger once agriculture support, social transfers, and food subsidies are factored in. This raises the likelihood of supplementary budget allocations or re-prioritization of development spending in FY26 (Federal PSDP budgeted at PKR 1trn), as well as greater reliance on multilateral and bilateral financing to plug the gap.

Exhibit: Loss Assessment*					
	Unit	Quantity	Cost per unit	Total Cost PKR mn	\$ mn
Housing					
Partial Damage Houses	No	7,138	500,000	3,569	12
Fully Damage Houses	No	2,154	2,500,000	5,385	18
Total				8,954	31
Transport and Communication					
Roads	Kms	671	60,000,000	40,275	137
Bridges	No	239	240,000,000	57,360	196
Total				97,635	333
Agriculture					
Cotton	000 bales	737	105,000	77,358	264
Sugarcane	000 tons	8,845	10,000	88,447	302
Maize	000 tons	689	80,000	55,149	188
Rice	000 tons	958	85,000	81,423	278
Total				302,376	1,032
Livestock					
Animals	No.	6,180	80,724	499	2
Total				499	2
Grand Total				409,464	1,397
Reconstruction Cost^				106,589	364
Source (s): NDMA, AHL Research, ^Ex Agri and Livestock, , *as of 04-Sep-2025					

International commitments for economic support

The international community has already begun extending support to Pakistan in the wake of the 2025 floods. As of early Sep'25 (as per media reports), several bilateral and multilateral partners have pledged targeted relief, though the scale so far remains modest compared with past disasters. The United Kingdom has pledged GBP 3.4mn (USD 4.3mn) for flood response and anticipatory preparedness in Sindh, while the Asian Development Bank (ADB) has committed USD 3mn from its Asia Pacific Disaster Response Fund to aid immediate relief efforts. The United Nations has released USD 600K from a regional emergency pool to strengthen monsoon response, and the King Salman Humanitarian Aid and Relief Center has initiated the distribution of food baskets and shelter kits in affected areas, particularly in Khyber Pakhtunkhwa. At the same time, the World Bank has stepped in with advisory and preparatory support for resilience-focused projects.

In contrast, international engagement during the 2022 floods was far more substantial. The World Bank disbursed USD 370mn for immediate relief and permitted the reallocation of up to USD 2bn from ongoing projects. The European Union contributed EUR 350K for communities in Balochistan, while China extended humanitarian supplies along with USD 300K through the Red Cross. The United Kingdom provided GBP 26.5mn worth of relief goods and financial assistance.

The 2010 floods witnessed an even larger wave of global commitments, totaling USD 2.65bn. Major contributions came from the United States (USD 684mn), Japan (USD 301mn), the United Kingdom (USD 224mn), the European Union (USD 190mn), and Saudi Arabia (USD 151mn). Multilateral and humanitarian channels also stepped in, with CERF (USD 42mn), UN agencies (USD 13mn), the Red Cross/Red Crescent (USD 11mn), and the ADB (USD 3mn) supporting relief efforts.

Corporate profitability and the KSE-100 Index

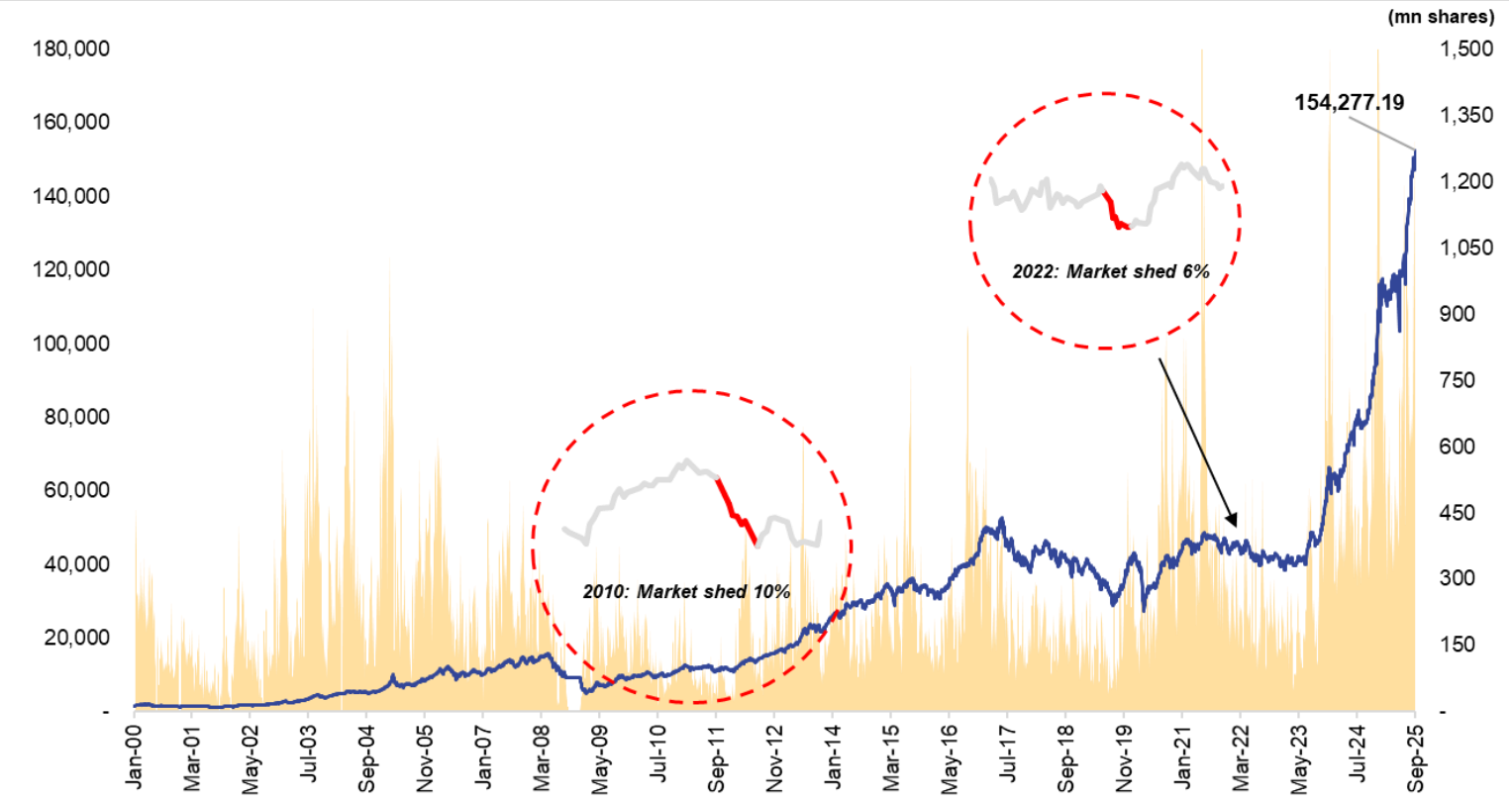
Unlike the earlier floods in 2010 and 2022, when the KSE-100 index posted negative returns of -10% and -6% respectively, the market has shown resilience this time. Since Jun'25 to date, KSE-100 has surged by 23%, even as rain-induced flash floods, glacial melts, and river outflows wreaked havoc across northern parts of Pakistan, particularly in Khyber Pakhtunkhwa and Punjab. A look back at history provides useful context. Following the 2010 floods, the KSE-100 rose by 3.0% in 1QFY11 and went on to deliver a strong 28.5% gain for the full year, with FY12 adding another 10.4%. In sharp contrast, the 2022 floods coincided with a weaker performance as the index declined by -0.99% in 1QFY23 and closed FY23 marginally negative at -0.2%. The macro backdrop helps explains the divergence. Inflation averaged 13.8% and 11.0% in FY11 and FY12, providing a relatively stable environment, while inflation was significantly higher at 29.1% and 23.9% in FY23 and FY24, creating pressure on corporate profitability and valuations. In this sense, the current environment following the 2025 floods appears more comparable to the 2010 episode, where macro stability allowed markets to absorb shocks more effectively.

On the profitability side, some short-term softness is expected. For the quarter ending Sep'25, temporary declines in offtake are anticipated among KSE-100 companies in sectors such as cement, steel, fertilizer, automobiles, and oil marketing, as consumer demand and construction activity slow. However, reconstruction and rehabilitation efforts are likely to trigger a rebound in demand, particularly for cement and steel, while fertilizers and OMCs should also benefit from higher consumption. Historical experience offers a guide. After the 2010 floods, sales and profitability of listed companies rose by 22% and 39% in FY11, followed by 13% and 12% in FY12, respectively.

Looking ahead, we expect corporate profitability to remain robust, especially from 2H FY26 into FY27, as flood recovery transitions into large-scale reconstruction and consumption normalizes. This should underpin continued strength in the KSE-100 index, which currently trades at a forward PE of 7.8x, below its 15-year historical average of 8.6x and well under the peak of 14.0x, leaving room for rerating as earnings momentum strengthens.

Exhibit: Sector summary		
Sector	Impact	Comment
Cements and Steel	Positive	Demand of construction inputs will take a short term hit. But government and private sector rehabilitation efforts will revive consumption.
Fertilizer	Negative	Crop damage caused by floods will exacerbate already low farm income and lead to depressed fertilizer demand.
Autos	Neutral to Negative	Tractor and motorcycle sales could see short-term weakness due to reduced rural purchasing power, though passenger car demand is likely to remain relatively stable.
Oil and Gas Marketing	Neutral	Temporary weakness in fuel consumption is expected due to mobility constraints and lower business activity, but volumes should normalize as logistics and trade resume.
Commercial Banks	Neutral	Banks are expected to remain resilient, with limited fallout from the floods on either earnings or balance-sheet quality. However, exposure to agriculture-linked lending bears monitoring.
Source (s): AHL Research		

Exhibit: PSX Performance during floods over the years

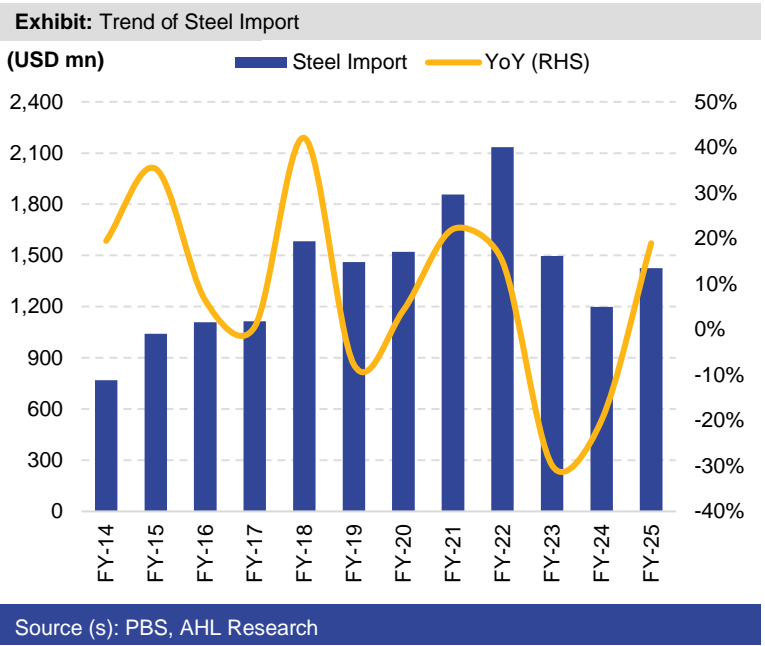
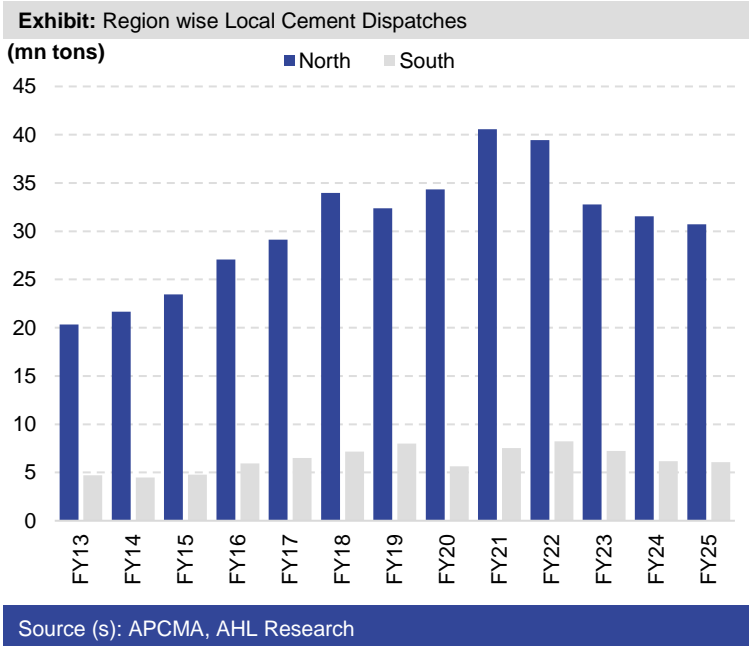


Source (s): PSX, AHL Research

Construction materials:

Short-term disruption, medium-term revival

Cement and steel demand have been on a strong upward trajectory in recent months. Cement offtake in the first two months of FY26 rose by 15% YoY to reach ~6.0mn tons, with growth led by the South region. Steel has also shown resilience, with steel scrap imports up by 46% YoY in Jul'25, following a 24% YoY increase in 4QFY25. Prior to the floods, cement demand for FY26 was projected to grow by 8–10%, while steel demand was expected to expand by 15–20%. However, historical evidence shows that the construction sector is particularly vulnerable to flood-related shocks. During the 2022 floods (Jun–Oct 2022), cement sales plummeted 62% MoM in Jul'22, leading to a 16% YoY decline in overall sales during FY23. Steel was similarly impacted, with billets production falling 11% MoM in Jul'22, followed by a 12% drop in production and a 45% decline in imports in FY23. Looking ahead, we expect a temporary brake on cement and steel demand, particularly through Sep'25 and 2QFY26, as flood disruptions weigh on construction activity. Accordingly, we revise down our FY26 forecast for construction demand growth to 5%. That said, rehabilitation and reconstruction efforts are expected to revive momentum in 2HFY26, providing a strong medium-term boost.

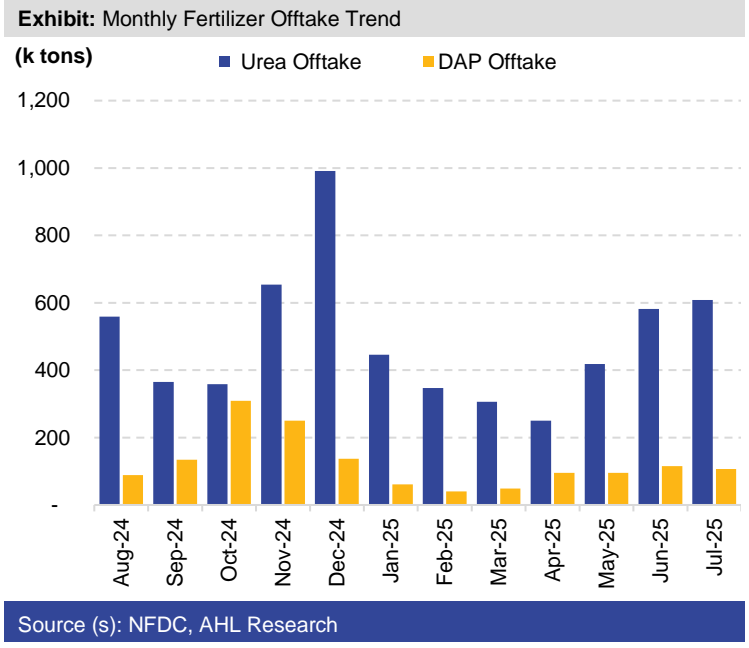
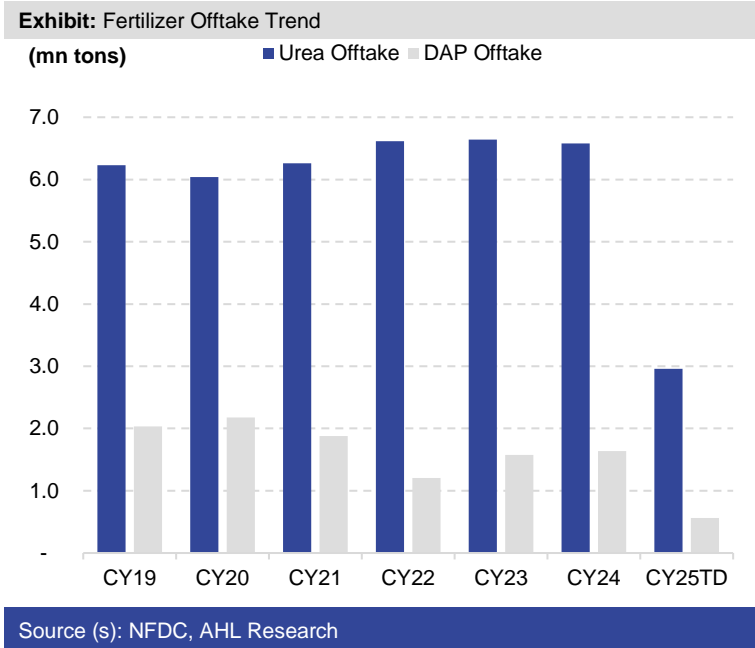


Fertilizer Sector: Sales under pressure as floods hit crop cultivation

The recent floods in Punjab are poised to significantly disrupt fertilizer sales, given their direct correlation with crop cultivation areas. The floods have severely damaged key crops, including cotton, sugarcane and rice compounding the existing economic pressures on farmers, whose per-hectare incomes have already declined sharply. Uncertainty about further water inflows could exacerbate crop losses, further impacting fertilizer demand.

Historical flood impacts provide insight into potential trends. Urea sales experienced YoY decline of 3.3% in CY11 and 11.5% in CY12, followed by a strong recovery of 12.6% YoY in CY13. The 2022 floods had a relatively mild effect, with Urea sales dropping only 2% YoY in the 2HCY22. In contrast, DAP sales saw a 16% YoY decline in CY11, a 6% YoY increase in CY12, but a sharp 36% YoY drop in CY22, with a 51% decline in 2HCY22.

Given DAP's high cost and farmers' strained finances, we anticipate a significant decline in DAP sales, projecting a 10% YoY decrease in CY25 and an 5% YoY drop in CY26. A recovery is expected in CY27, with an 18% YoY increase in sales. For Urea, the impact is likely to be more severe due to the current economic challenges faced by farmers. We forecast a 13% YoY decline in CY25, with the most pronounced effect in the fourth quarter (4QCY25) at a 27% YoY drop. Urea offtake is expected to remain weak in CY26, with a 4% YoY decline, though signs of recovery may emerge in the final quarter of CY26. This could lead to a 12% YoY increase in Urea sales in the following year



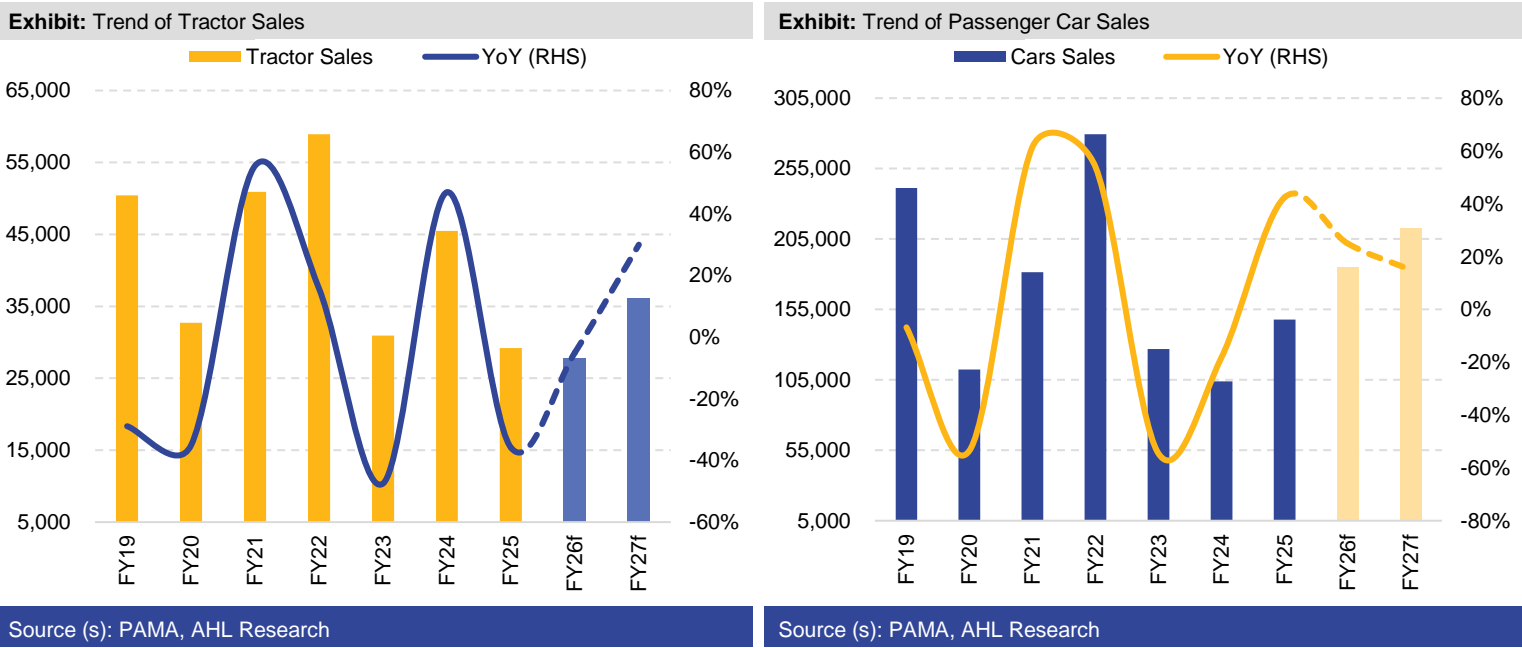
Automobiles: Flood to hit tractors hard

The brunt of flood-related disruptions in the auto sector typically falls on tractors and two-wheelers, given their strong linkage to agricultural output and rural household incomes. Historical patterns reinforce this vulnerability. In the 2010 floods, tractor and motorcycle sales contracted 33% and 7% MoM in Aug'10, while passenger car volumes fell 34% MoM in Jul'10 and remained subdued in Aug'10. Similarly, the 2022 flash floods caused an even sharper contraction, with tractor and bike sales plunging 70% and 31% MoM in Jul'22, while passenger car volumes dropped 68% MoM.

The medium-term impact is also telling. Tractor sales fell 3% YoY in FY11 and a further 28% YoY in FY12, reflecting the multi-year strain on farm incomes. Two-wheeler sales stagnated over the next two years, recording -1% YoY in both FY12 and FY13. Passenger cars, however, were more resilient during that cycle, growing 3% YoY in FY11 and 23% YoY in FY12. By contrast, the 2022 floods weighed on all segments: tractor and bike sales declined 23% and 34% YoY in FY23, while passenger cars dropped sharply by 55% YoY in FY23 and a further 18% YoY in FY24, exacerbated by high interest rates and inflation.

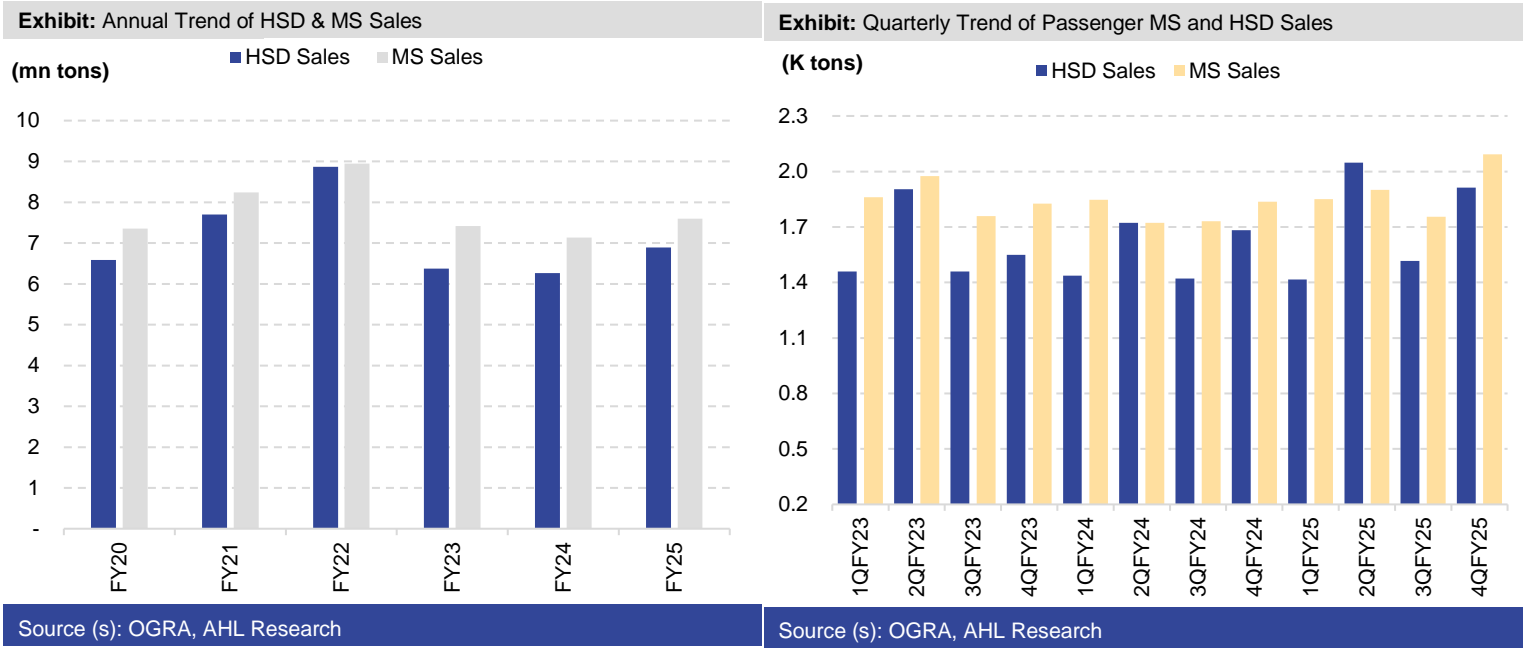
Looking ahead, tractors are likely to face the steepest impact from the 2025 floods, given already weak farm economics. We expect tractor sales to contract 5% in FY26, before recovering strongly by ~30% from FY27 onward as farm incomes normalize.

Passenger cars, meanwhile, are expected to see a limited direct impact from the floods. Nonetheless, we revise our FY26 growth forecast down to 25% (188k units) from an earlier estimate of 30%, reflecting some near-term demand moderation.



OMCs: Short-term weakness, gradual recovery expected

Flood-induced disruptions have historically exerted significant pressure on OMC demand, with transport bottlenecks, subdued business activity, and damaged infrastructure constraining consumption. In 2010, Jul–Sep offtake fell 15% QoQ and 8% YoY, with HSD (-20% QoQ) and FO (-16% QoQ) leading the decline. Although volumes rebounded 7% QoQ in the subsequent quarter, FY11 still closed 2% lower YoY. The 2022 floods brought an even steeper impact, with OMC sales plunging 29% QoQ and 23% YoY in Jul–Sep’22. The sharpest contractions were again in HSD (-41% QoQ) and FO (-27% QoQ). Despite a marginal 1% recovery in the next quarter, FY23 ended with a 26% YoY contraction, while weakness persisted into FY24 with OMC offtake slipping another 8% YoY, led by MS (-4%), HSD (-2%), and FO (-49%). Against this backdrop, we expect the current floods to once again weigh heavily on OMC demand in the near term. Sales volumes are likely to remain depressed in 2QFY26, particularly for transport and industrial fuels, before gradually rebounding as rehabilitation and reconstruction activity gathers pace.



Banking Sector: Resilient amid flood-induced disruptions

The recent flood crisis is likely to exert pressure on banking institutions, with the impact expected to be felt both directly and indirectly. The direct impact includes (but is not limited to): (i) potential deposit attrition amid rising demand for cash, (ii) deterioration in asset quality, particularly within agriculture and microfinance, with a high probability of loan repayment deferments, and (iii) elevated demand for credit to finance rehabilitation efforts across the economy. That said, historical precedents suggest limited long-term fallout. During the 2010 floods, the available data indicates that the banking sector absorbed the initial shock relatively well. Asset quality and profitability recovered in the quarter immediately following the disruption, and performance remained robust in the subsequent years. Similarly, the 2022 floods, despite triggering widespread economic damage, left banking indicators broadly stable: asset quality improved across several segments, infection ratios trended lower, and profitability continued to climb quarter after quarter. Drawing from these experiences, we expect banks in 2025 to once again demonstrate resilience. While short-term pressures cannot be ruled out, the broader outlook points to limited impact on earnings and balance sheet quality, with the sector likely to retain its stability amid the ongoing crisis.

Exhibit: Key Financials of 2010 Floods

	Unit	2QCY10	3QCY10	4QCY10
Deposits	PKR bn	4,395	4,302	5,004
Advances	PKR bn	2,826	2,775	2,998
NPLs	PKR bn	397	418	448
Infection Ratio	%	14.0	15.0	15.0
Coverage Ratio	%	73.0	70.0	69.0
PAT	PKR bn	19.42	19.31	21.03

Source (s): Company Financials, AHL Research

Exhibit: Key Financials of 2022 Floods

	Unit	2QCY22	3QCY22	4QCY22
Deposits	PKR bn	23,730	23,829	23,461
Advances	PKR bn	10,890	11,056	11,818
NPLs	PKR bn	879	898	924
Infection Ratio	%	7.5	7.6	7.3
Coverage Ratio	%	91.6	91.9	89.5
PAT	PKR bn	126	214	336

Source (s): Company Financials, AHL Research

Exhibit: Infection ratio (Sector-wise)

	Dec'21	Dec'22	Change BPS
Insurance	1.0%	1.5%	53.20
Others	8.9%	9.1%	25.28
Production/Transmission of Energy	5.1%	5.3%	12.53
Cement	2.6%	2.4%	(14)
Textile	8.7%	8.1%	(61)
Individuals	5.9%	5.2%	(73)
Chemical & Pharmaceuticals	4.4%	3.2%	(120)
Automobile/Transportation	8.9%	7.7%	(123)
Shoes & Leather garments	12.5%	11.2%	(136)
Financial	3.1%	1.6%	(151)
Agribusiness	7.2%	5.6%	(163)
Electronics	16.0%	14.1%	(190)
Sugar	23.3%	20.0%	(331)

Source (s): SBP, AHL Research

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'26 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)

* Upside for Power Generation Companies is upside plus dividend yield.

Equity Valuation Methodology

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

- **Discounted Cash Flow (DCF)**
- **Dividend Discounted 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**

This document has been prepared by Research analysts at Arif Habib Limited (AHL). This document does not constitute an offer or solicitation for the purchase or sale of any security. This publication is intended only for distribution to the clients of the Company who are assumed to be reasonably sophisticated investors that understand the risks involved in investing in equity securities. The information contained herein is based upon publicly available data and sources believed to be reliable. While every care was taken to ensure accuracy and objectivity, AHL does not represent that it is accurate or complete and it should not be relied on as such. In particular, the report takes no account of the investment objectives, financial situation and particular needs of investors. The information given in this document is as of the date of this report and there can be no assurance that future results or events will be consistent with this information. This information is subject to change without any prior notice. AHL reserves the right to make modifications and alterations to this statement as may be required from time to time. However, AHL is under no obligation to update or keep the information current. AHL is committed to providing independent and transparent recommendation to its client and would be happy to provide any information in response to specific client queries. Past performance is not necessarily a guide to future performance. This document is provided for assistance only and is not intended to be and must not alone be taken as the basis for any investment decision. The user assumes the entire risk of any use made of this information. Each recipient of this document should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult his or her own advisors to determine the merits and risks of such investment. AHL or any of its affiliates shall not be in any way responsible for any loss or damage that may be arise to any person from any inadvertent error in the information contained in this report.

© 2025 Arif Habib Limited: Corporate Member of the Pakistan Stock Exchanges. No part of this publication may be copied, reproduced, stored or disseminated in any form or by any means without the prior written consent of Arif Habib Limited.

Disclosure required under Research Analyst Regulations, 2015:

In order to avoid any conflict of interest, we hereby disclosed that;

Arif Habib Limited (AHL) has a shareholding in PPL, OGDC, MARI, UBL, HBL, NBP, BOP, FFC, PSO, HUBC and ATRL.