

**Economy**

IMF Staff Level Agreement

Pakistan Research

**Economy: Staff level agreement to pave the way for a medium-term program**

IMF and Pakistan have reached a staff level agreement on the second and final review under the Stand-By Agreement (SBA) of USD 3bn. This agreement is subject to approval of the IMF’s Executive Board, which is expected in late April. After approval, Pakistan will receive USD 1.1bn (SDR 828mn). Additionally, Pakistan expressed its desire to pursue a medium-term program with the IMF, focusing on permanently alleviating economic woes.

IMF acknowledges improvement in economic and financial position emanating from prudent policy management and the resumption of inflows from multilateral and bilateral partners. However, the IMF has emphasized that consistency is required in ongoing reforms, related to fiscal policy and energy sector, since growth is expected to be modest in FY24, inflation levels remain elevated and that high domestic and external financing needs continue to manifest an unsettling external position.

**Fiscal consolidation to continue**

The government is determined to achieve primary surplus of PKR 0.4trn (0.4% of GDP) through contained non-interest spending and ensuring improved revenue performance. In the long run, capacity building to expand the tax base and raising revenue mobilization along with improved quality of public investment and spending are key factors to strengthen public finances.

**Timely implementation of gas and power tariffs**

IMF has emphasized timely implementation of power and gas tariff adjustments to keep average tariffs consistent with cost levels and continue to protect the vulnerable through the existing progressive tariff structure, thus avoiding any net circular debt accumulation in FY24.

**Inflation levels remain well above targets**

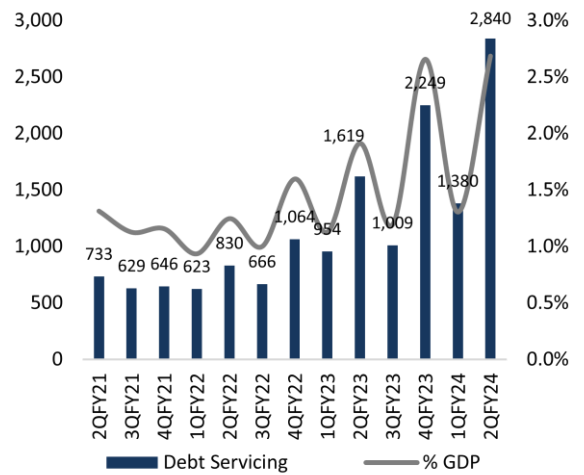
IMF has implicitly deemed SBP’s monetary policy as appropriate and highlighted SBP’s commitment to a prudent monetary policy to lower inflation levels along with ensuring exchange rate flexibility and transparency in the operations of the FX market.

**Groundwork for Medium-term program laid**

Government of Pakistan has shown interest in initiating a medium-term program geared towards permanently addressing Pakistan's fiscal and external sustainability challenges while laying down the foundation for robust, sustainable, and inclusive growth. Anticipated discussions on this matter are set to commence in the upcoming months, with primary objectives including:

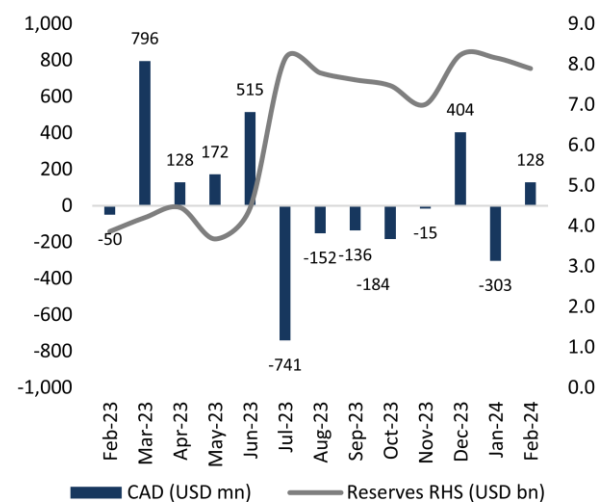
- fortifying public finances through gradual fiscal consolidation and widening the tax base, particularly in sectors with insufficient taxation.
- revitalizing the energy sector's viability by expediting cost-reducing reforms, such as improving electricity transmission and distribution, shifting captive powerplants to the main electricity grid, enhancing governance and management of DISCOs, and implementing effective measures to curb theft;
- bringing inflation back to target levels, facilitated by a more transparent and flexible FX market to support external rebalancing and bolster foreign reserves.
- fostering private-sector-led activity, along with eliminating distortionary protection, advancing reforms in SOE’s to enhance their performance, and increasing investments in human capital to unlock Pakistan's economic potential.

Elevated debt servicing continues to pose challenges



Source: MoF, Akseer Research

External account has shown signs of recovery since SBA approval in Jul-23



Source: SBP, Akseer Research

Shan Shaikh  
[shan.shaikh@akseerresearch.com](mailto:shan.shaikh@akseerresearch.com)

## Disclaimer

This report has been prepared and marketed jointly by Akseer Research (Pvt) Limited and Alpha Capital (Pvt) Limited, hereinafter referred jointly as "JV" and is provided for information purposes only. Under no circumstances this is to be used or considered as an offer to sell or solicitation of any offer to buy. While reasonable care has been taken to ensure that the information contained therein is not untrue or misleading at the time of publication, we make no representation as to its accuracy or completeness and it should not be relied upon as such. From time to time, the JV and/or any of their officers or directors may, as permitted by applicable laws, have a position, or otherwise be interested in any transaction, in any securities directly or indirectly subject of this report. This report is provided only for the information of professionals who are expected to make their own investment decisions without undue reliance on this report. Investments in capital markets are subject to market risk and the JV accepts no responsibility whatsoever for any direct or indirect consequential loss arising from any use of this report or its contents. In particular, the report takes no account of the investment objectives, financial situation and particular needs of investors, who should seek further professional advice or rely upon their own judgment and acumen before making any investment. The views expressed in this report are those of the JV's Research Department and do not necessarily reflect those of the JV or its directors. Akseer Research and Alpha Capital as firms may have business relationships, including investment--banking relationships, with the companies referred to in this report. The JV or any of their officers, directors, principals, employees, associates, close relatives may act as a market maker in the securities of the companies mentioned in this report, may have a financial interest in the securities of these companies to an amount exceeding 1% of the value of the securities of these companies, may serve or may have served in the past as a director or officer of these companies, may have received compensation from these companies for corporate advisory services, brokerage services or underwriting services or may expect to receive or intend to seek compensation from these companies for the aforesaid services, may have managed or co-managed a public offering, take-over, buyback, delisting offer of securities or various other functions for the companies mentioned in this report.

All rights reserved by the JV. This report or any portion hereof may not be reproduced, distributed or published by any person for any purpose whatsoever. Nor can it be sent to a third party without prior consent of the JV. Action could be taken for unauthorized reproduction, distribution or publication.

## Valuation Methodology

To arrive at our 12-months Price Target, the JV uses different valuation methods which include: 1). DCF methodology, 2). Relative valuation methodology, and 3). Asset-based valuation methodology.

## Ratings Criteria

JV employs a three-tier ratings system to rate a stock, as mentioned below, which is based upon the level of expected return for a specific stock. The rating is based on the following with time horizon of 12-months.

Rating	Expected Total Return
Buy	Greater than or equal to +15%
Hold	Between -5% and +15%
Sell	Less than or equal to -5%

Ratings are updated to account for any development impacting the economy/sector/company, changes in analysts' assumptions or a combination of these factors.

## Research Dissemination Policy

The JV endeavours to make all reasonable efforts to disseminate research to all eligible clients in a timely manner through either physical or electronic distribution such as email, fax mail etc.

## Analyst Certification

The research analyst, denoted by 'AC' on the cover of this report, has also been involved in the preparation of this report, and is a member of JV's Equity Research Team. The analyst certifies that (1) the views expressed in this report accurately reflect his/her personal views and (2) no part of his/her compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.

## Contact Details

### Akseer Research (Pvt) Limited

1st Floor, Shaheen Chambers, KCHS block 7 & 8,  
off. Shahrah-e-Faisal

T: +92-21-34320359 -60

E: [info@akseerresearch.com](mailto:info@akseerresearch.com)

### Alpha Capital (Pvt) Limited (Formerly: Alfa Adhi Securities (Pvt) Limited)

3rd Floor, Shaheen Chambers, A-4 Central Commercial Area,  
KCH Society, Block 7 & 8, Near Virtual University, Karachi

T: +92-21-38694242

E: [info@alphacapital.com.pk](mailto:info@alphacapital.com.pk)