

Pakistan and IMF

IMF Board Concludes First Review under SBA; Second Tranche to be Disbursed Immediately

- IMF Board on 11-Jan-2024 approved US\$ 700mn (SDR 528mn) tranche under the Standby-by Agreement (SBA). Pakistan and IMF successfully reached Staff Level Agreement (SLA) under SBA in Nov-23, which was followed by IMF Board's approval to conclude first review. As a result, Pakistan is expected to receive the second tranche immediately taking total disbursements under SBA to US\$ 1.9bn (SDR 1.4bn).
- To recall, Pakistan and IMF signed new 9 month SBA in Jun-23 as previous EFF program concluded as incomplete. Due to ongoing macroeconomic crisis, new SBA was crucial in averting any default. The duration of SBA is of nine months and will conclude in Mar-24.
- IMF expects GDP to arrive at 2.0% for FY24. Inflation is likely to average 24% in FY24 while period end (Jun-24) inflation is likely to clock in at 18.5%. C/a deficit expected to settle at 1.5% of the GDP with SBP reserves projected at US\$ 9.1bn by Jun-24.

We highlight some of the key points from the IMF's press release under Stand-By Agreement (SBA).

IMF Board approves US\$ 700mn Tranche under SBA

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Key economic indicators estimated by IMF

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Analyst

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IMF highlighted that the program is focused on 4 key areas:

- Implementation of FY24 budget to ensure debt sustainability and facilitate Fiscal Adjustment.
- Market determined exchange rate and proper functioning of FX market to ensure adequate supply and absorb external shocks.
- Appropriate monetary policy to keep inflation tamed and move towards disinflation.
- Progress on structural reforms to ensure energy sector viability, SOE governance and climate resilience.

Exhibit: Selected Economic Indicators as per IMF		FY22	FY23 Est.	FY24 Proj.
Output and prices				
Real GDP at factor cost	% Change	6.2	(0.2)	2.0
Employment				
Unemployment rate	%	6.2	8.5	8.0
Prices (%)				
Consumer prices, period average	%	12.1	29.2	24
Consumer prices, end of period	%	21.3	29.4	18.5
General government finances				
Revenue and grants	% GDP	12.1	11.4	12.5
Expenditure	% GDP	20.0	19.2	20.2
Budget balance, including grants	% GDP	(7.8)	(7.7)	(7.6)
Budget balance, excluding grants	% GDP	(7.9)	(7.8)	(7.7)
Primary balance, excluding grants	% GDP	(3.1)	(0.8)	0.4
Underlying primary balance (excluding grants)	% GDP	(2.3)	(0.6)	0.4
Total general government debt excl. IMF obligations	% GDP	74.1	74.7	70.3
External general government debt	% GDP	27.4	28.5	27.4
Domestic general government debt	% GDP	46.6	46.2	42.9
General government debt incl. IMF obligations	% GDP	76.2	77.1	72.8
General govt. and govt. guaranteed debt incl. IMF	% GDP	80.7	81.3	76.8
Monetary and credit				
Broad money	% Change	13.6	14.2	11
Private credit	% Change	17.4	2.3	5
Six-month treasury bill rate (%) 3/	% Change	11.0	18.3	-
Balance of Payments				
Current account balance	% GDP	(4.7)	(0.7)	(1.6)
Foreign direct investment	% GDP	0.5	0.5	0.3
Gross reserves	US\$ mn	9,821	4,455	9,101
Months of next year's imports of goods and services	Months	2.0	0.8	1.5
Total external debt	% GDP	32.2	34.4	34.9
Exchange rate				
Real effective exchange rate	% Change	-5.9	-8.0	-

Source: IMF, IGI Research

External pressures are easing and economy showing signs of recovery

IMF highlighted that Pakistan has taken appropriate measures to stabilize the economy which is reflected by pickup in activity and external pressures are also easing. Continuation of policies remains critical to sustain growth momentum and stabilization of economy. IMF highlighted that strong revenue performance and spending restraint has led to a 0.4% primary surplus in 1QFY24. Reforms to improve fiscal framework by mobilizing additional revenues from non-filers and under taxed sectors remain crucial to create fiscal space for social and development spending.

Pakistan has recently taken measures such as increase in electricity and gas prices, which has brought them in line with cost in 2023. Thus, continuation of timely price adjustments to recover cost will provide fiscal sustainability and improve energy sector viability.

Exhibit: Pakistan and IMF				
Facility	Start Date	Expiration Date	Amount (SDR)	Amount Drawn (SDR)
Standby Arrangement	Dec-58	Sep-59	25	-
Standby Arrangement	Mar-65	Mar-66	38	38
Standby Arrangement	Oct-68	Oct-69	75	75
Standby Arrangement	May-72	May-73	100	84
Standby Arrangement	Aug-73	Aug-74	75	75
Standby Arrangement	Nov-74	Nov-75	75	75
Standby Arrangement	Mar-77	Mar-78	80	80
Extended Fund Facility	Nov-80	Dec-81	1,268	349
Extended Fund Facility	Dec-81	Nov-83	919	730
Structural Adjustment Facility Commitment	Dec-88	Dec-91	382	382
Standby Arrangement	Dec-88	Nov-90	273	194
Standby Arrangement	Sep-93	Feb-94	265	88
Extended Credit Facility	Feb-94	Dec-95	607	172
Extended Fund Facility	Feb-94	Dec-95	379	123
Standby Arrangement	Dec-95	Sep-97	563	295
Extended Fund Facility	Oct-97	Oct-00	455	114
Extended Credit Facility	Oct-97	Oct-00	682	265
Standby Arrangement	Nov-00	Sep-01	465	465
Extended Credit Facility	Dec-01	Dec-04	1,034	861
Standby Arrangement	Nov-08	Sep-11	7,236	4,936
Extended Fund Facility	Sep-13	Sep-16	4,393	4,393
Extended Fund Facility	Jul-19	Jun-23	4,988	2,144
Standby Arrangement	Jul-23	Mar-24	2,250	1,422

Source: IMF, IGI Research

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