Day Break

Tuesday, March 11, 2025

IGI Securities
SERVING YOU SINCE 1994

Monetary Policy History		
Date	**Stance**	**Policy Rate**
10-Mar-25	Status Quo	12.0%
27-Jan-25	-100 bps	12.0%
16-Dec-24	-200 bps	13.0%
04-Nov-24	-250 bps	15.0%
12-Sep-24	-200 bps	17.5%
29-Jul-24	-100 bps	19.5%
10-Jun-24	-150 bps	20.5%
29-Apr-24	Status Quo	22.0%
18-Mar-24	Status Quo	22.0%
29-Jan-24	Status Quo	22.0%
12-Dec-23	Status Quo	22.0%
30-Oct-23	Status Quo	22.0%
14-Sep-23	Status Quo	22.0%
31-Jul-23	Status Quo	22.0%
26-Jun-23	Status Quo	22.0%
12-Jun-23	+100 bps	22.0%

Source: SBP, IGI Research

Economy

SBP Keeps Policy Rate Unchanged at 12%

- In the latest Monetary Policy Announcement (link), the State Bank of Pakistan (SBP) decided to keep policy rate unchanged at 12.0%. Since Jun-24 SBP has cumulatively cut interest rates by 1000bps. MPC noted that decline in headline inflation during Feb-24 was lower than expectations mainly due to drop in food and energy prices. However, core inflation proves to be more persistent at higher levels. SBP maintained its GDP target for FY25 in the range of 2.5-3.5% and reaffirmed C/a to remain in the range of surplus to a deficit of 0.5% of GDP in FY25.
- Real GDP growth for 1QFY25 stood lower than expected. Moreover, C/a also remained in surplus during Dec-24, however, Forex reserves declined amid lower financial inflows and higher debt repayments. Tax revenue collection remained below target during 1HFY25 despite higher collection in Dec-24. MPC also highlighted that oil prices have witnessed higher volatility recently while global economic environment has become more uncertain which has prompted central banks to adopt a cautious approach.
- Decline in inflation has outpaced expectations owing to decline in food and energy prices, which prompted SBP to cut rates cumulatively by 1000bps since Jun-24. Inflation is further expected to decline in Mar-25. However, inflation is anticipated to rise in coming months as low base effect kicks in. In our view, SBP is likely to monitor inflation on forward looking basis and risk to inflation outlook while also keeping balance between supporting economic activity and pressure from external front.

SBP Cuts Interest Rates by 100bps

In the latest Monetary Policy Announcement [(link),](link) the State Bank of Pakistan (SBP) decided to keep policy rate unchanged at 12.0%. Since Jun-24 SBP has cumulatively cut interest rates by 1000bps. MPC noted that decline in headline inflation during Feb-24 was lower than expectations mainly due to drop in food and energy prices. However, core inflation proves to be more persistent at higher levels. The Committee noted that incline in food and energy prices along with inherent volatility may lead to increase in overall inflation. SBP maintained its GDP target for FY25 in the range of 2.5-3.5% and reaffirmed C/a to remain in the range of surplus to a deficit of 0.5% of GDP in FY25.

Exhibit: Monetary Policy Rate Decision	Current	Previous	Chg. (bps)
Target Policy Rate	**12.00%**	**12.00%**	**-**
Discount rate (Ceiling Rate)	13.00%	13.00%	-
Floor Rate	11.00%	11.00%	-

Source: SBP, IGI Research

Analyst

Abdullah Farhan
Abdullah.farhan@igi.com.pk

The Committee noted that few key developments since last MPC meeting. C/a turned in to deficit of US$ 0.4bn in Jan-25 after consecutive surpluses in past few months. Weak financial inflows and debt repayments along with C/a deficit has led to decline in SBP's FX reserves. Despite a substantial increase in LSMI output in Dec-24, overall output is down during 1HFY25. Tax revenue shortfall further widened in Jan-25 and Feb-25. Business and consumer confidence has improved, however, global uncertainty has increased due to ongoing tariff escalations, which could potentially impact growth, trade and commodity prices. Thus, central banks in advanced and emerging economies have slowed the pace of monetary easing.

MPC noted that the impact of sizeable rate cuts is now materializing, however, a cautious monetary stance is important to stabilize inflation within target range of 5-7%, which along with structural reforms is necessary to achieve sustainable growth.

Exhibit: National CPI Heat Map

	Feb-25	Jan-25	Dec-24	Nov-24	Oct-24	Sep-24	Aug-24	Jul-24	Jun-24	May-24	Apr-24	Mar-24
General	**1.5**	**2.4**	**4.1**	**4.9**	**7.2**	**6.9**	**9.6**	**11.1**	**12.6**	**11.8**	**17.3**	**20.7**
Food	-4.1	-3.1	0.3	-0.2	0.9	-0.6	2.5	1.6	1.0	-0.2	9.7	17.2
Transport	-1.1	0.7	-2.5	-2.8	-6.1	-7.3	3.2	12.2	10.4	10.4	12.5	11.2
Utility/Rent	-0.6	1.5	3.4	7.9	19.2	20.9	22.2	25.3	35.3	33.0	35.7	36.6
Essentials	12.2	12.2	13.2	13.2	13.1	14.4	16.1	17.5	17.4	17.5	17.9	15.8
Disc.	8.3	8.1	8.2	8.7	8.8	9.1	9.7	11.6	12.0	12.6	17.1	19.2

Source: PBS, IGI Research

Key takeaways from analyst briefing

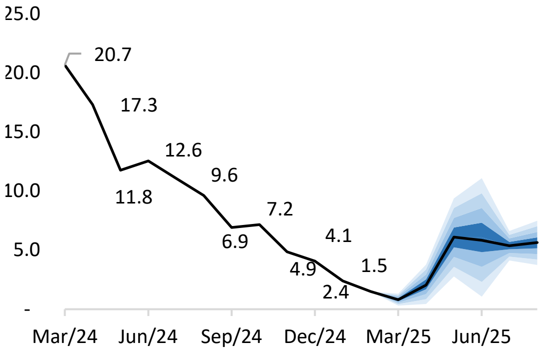
SBP in its post MPS briefing highlighted key updates, which included:

- C/a deficit clocked in at US$ 0.4bn during Jan-25, shrinking overall surplus to US$ 0.7bn in 7MFY25. While import volume has risen in line with pick up in economic activity, increase in oil prices had pushed import payment in Jan-25. Robust remittances and moderate growth in exports have enabled financing of higher imports. MPC reaffirmed that FY25 C/a balance is likely to stand in in the range of surplus to a deficit of 0.5% of GDP. Although, majority of the debt repayments have been made for FY25 despite weak financial inflows. SBP expects FX reserves are likely to reach above US$ 13bn by Jun-25.
- SBP stated that GDP growth for FY25 is expected in the range of 2.5-3.5%. High frequency indicators point towards improving economic conditions which is reflected by increase in automobile, POL and cement sales along with import volumes, purchasing managers index and credit disbursement to private sector. The

Committee noted that momentum depicted by these factors is yet to be fully reflected in LSMI data, which is being dragged down by few low-weight sectors such as textiles, pharmaceuticals, automobiles and POL. Moreover, recent rainfalls have subsided the risk to Rabi crops. MPC expects growth to recover in 2HFY25 on easing financial conditions. MPC expects economic activity to gain further traction going forward and projects GDP growth for FY25 in the range of 2.5-3.5% for FY25.

- Total debt repayment for FY25 stands at US$ 26bn (US$ 21.9bn in principle and US$ 4.1bn in interest). Out of the total US$ 16.2bn was scheduled to be rolled over or repayment with US$ 12.5bn expected to be rolled over. So far, US$ 9.5bn has already been rolled over. Additionally, US$ 3.7bn is set for repayment and refinancing in Jun-25. US$ 7bn has already been repaid while the remaining repayment due till Jun-25 amounts to US$ 3bn.
- M2 Broad Money remained unchanged at 11.4% since last MPC meeting. The Committee noted compositional change in NDA as government borrowing from banking system rebounded and private sector credit depicted greater than seasonal net retirement. This was expected owing to aggressive lending by banks during 2QFY25 to avoid ADR taxation. On the liability side, growth in currency in circulation increased while deposit growth further decelerated since Jan-25.
- SBP expects reserves to exceed US$ 13bn by Jun-25 mainly due to favorable C/a balance and lower debt repayments in 2HFY25.
- Regarding the recent increase in OMO, SBP stated this was mainly due to rise in currency in circulation driven by seasonal impact such as Ramadan and Eid and higher Government Borrowings.
- SBP is on track meet NIR target for Dec-24 and is confident that it will also achieve the Jun-25 target.

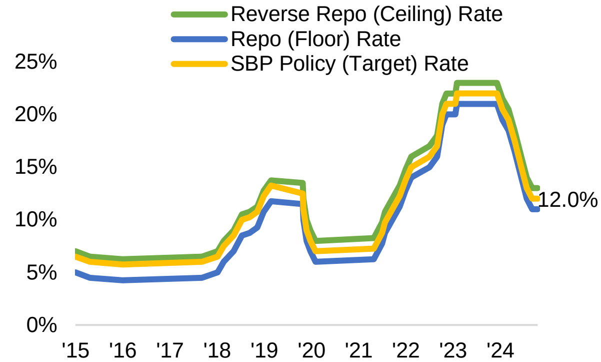
Exhibit: CPI likely to continue its downward trajectory with real rates also significantly positive on a 12m fwd basis.



Source: SBP, PBS, IGI Research

Exhibit: Pakistan Policy Rate (historical)

SBP halts easing cycle in Mar-25. (Source: SBP)



Outlook

Decline in inflation has outpaced expectations owing to decline in food and energy prices, which prompted SBP to cut rates cumulatively by 1000bps since Jun-24. Inflation is further expected to decline in Mar-25. However, inflation is anticipated to rise in coming months as low base effect kicks in. In our view, SBP is likely to monitor inflation on forward looking basis and assess risk to inflation outlook while also keeping a balance between supporting economic activity and pressure from external front.

Important Disclaimer and Disclosures

Research Analyst(s) Certification: The Research Analyst(s) hereby certify that the views about the company/companies and the security/ securities discussed in this report accurately reflect his or her or their personal views and that he/she has not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report. The analyst(s) is principally responsible for the preparation of this research report and that he/she or his/her close family/relative does not own 1% or more of a class of common equity securities of the following company/companies covered in this report.

Disclaimer: The information and opinions contained herein are prepared by IGI Finex Securities Limited and is for information purposes only. Whilst every effort has been made to ensure that all the information (including any recommendations or opinions expressed) contained in this document (the information) is not misleading or unreliable, IGI Finex Securities Limited makes no representation as to the accuracy or completeness of the information. Neither, IGI Finex Securities Limited nor any director, officer or employee of IGI Finex Securities Limited shall in any manner be liable or responsible for any loss that may be occasioned as consequence of a party relying on the information. This document takes no account of the investment objectives, financial situation and particular needs of investors, who shall seek further professional advice before making any investment decision. The subject Company (ies) is a client of the IGI Finex Securities Limited and IGI Finex Securities offers brokerage services to Subject Company (ies) on a regular basis, in line with industry practice. This document and the information may not be reproduced, distributed or published by any recipient for any purpose. This report is not directed or intended for distribution to, or use by any person or entity not a client of IGI Finex Securities Limited, else directed for distribution.

Rating system: IGI Finex Securities employs three tier ratings system, depending upon expected total return (return is defined as capital gain exclusive of tax) of the security in stated time period, as follows:

Recommendation Rating System
Buy if target price on aforementioned security (ies) is more than 10%, from its last closing price(s)
Hold if target price on aforementioned security (ies) is in between -10% and 10%, from its last closing price(s)
Sell if target price on aforementioned security (ies) is less than -10%, from its last closing price(s)

Valuation Methodology: To arrive at Target Prices, IGI Finex Securities uses different valuation methodologies including

- Discounted Cash Flow (DCF)
- Reserve Based DCF
- Dividend Discount Model (DDM)
- Justified Price to Book
- Residual Income (RI)
- Relative Valuation (Price to Earning, Price to Sales, Price to Book)

Risk: Investment in securities are subject to economic risk, market risk, interest rate risks, currency risks, and credit risks, political and geopolitical risks. The performance of company (ies) covered herein might unfavorably be affected by multiple factors including, business, economic, and political conditions. Hence, there is no assurance or guarantee that estimates, recommendation, opinion, etc. given about the security (ies)/company (ies) in the report will be achieved.

Basic Definitions and Terminologies used: Target Price: A price target is the projected price level of a financial security stated by an investment analyst or advisor. It represents a security's price that, if achieved, results in a trader recognizing the best possible outcome for his investment, **Last Closing:** Latest closing price, **Market Cap.:** Market capitalization is calculated by multiplying a company's shares outstanding by current trading price. **EPS:** Earnings per Share. **DPS:** Dividend per Share. **ROE:** Return on equity is the amount of net income returned as a percentage of shareholders' equity. **P/E:** Price to Earnings ratio of a company's share price to its per-share earnings. **P/B:** Price to Book ratio used to compare a stock's market value to its book value. **DY:** The dividend yield is dividend per share, divided by the price per share.

IGI Finex Securities Limited
Research Analyst(s)
Research Identity Number: BRP009

Contact Details

Equity Sales

Zaeem Haider Khan	Head of Equities	Tel: (+92-42) 35301405	zaeem.haider@igi.com.pk
Muhammad Naveed	Regional Manager (Islamabad & Upper North)	Tel: (+92-51) 2604861-62	muhammad.naveed@igi.com.pk
Syeda Mahrukh Hameed	Branch Manager (Lahore)	Tel: (+92-42) 38303564	mahrukh.hameed@igi.com.pk
Shakeel Ahmad	Branch Manager (Faisalabad)	Tel: (+92-41) 2540843-45	shakeel.ahmad1@igi.com.pk
Asif Saleem	Equity Sales (RY Khan)	Tel: (+92-68) 5871652-56	asif.saleem@igi.com.pk
Mehtab Ali	Equity Sales (Multan)	Tel: (+92-61) 4512003	mahtab.ali@igi.com.pk

Research Team

Abdullah Farhan	Head of Research	Tel: (+92-21) 111-234-234 Ext: 912	abdullah.farhan@igi.com.pk
Sakina Makati	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 810	sakina.makati@igi.com.pk
Laraib Nisar	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 974	laraib.nisar@igi.com.pk

IGI Finex Securities Limited
Trading Rights Entitlement Certificate (TREC) Holder of Pakistan Stock Exchange Limited |
Corporate member of Pakistan Mercantile Exchange Limited
Website: www.igisecurities.com.pk

Head Office
Suite No 701-713, 7th Floor, The Forum, G-20,
Khayaban-e-Jami Block-09, Clifton, Karachi-75600
UAN: (+92-21) 111-444-001 | (+92-21) 111-234-234
Fax: (+92-21) 35309169, 35301780

Lahore Office
Shop # G-009, Ground Floor,
Packages Mall
Tel: (+92-42) 38303560-69
Fax: (+92-42) 38303559

Islamabad Office
3rd Floor, Kamran Centre,
Block- B, Jinnah Avenue, Blue Area
Tel: (+92-51) 2604861-2, 2604864, 2273439
Fax: (+92-51) 2273861

Faisalabad Office
Office No. 2, 5 & 8, Ground Floor, The
Regency International 949, The Mall
Faisalabad
Tel: (+92-41) 2540843-45

Rahim Yar Khan Office
Plot # 12, Basement of Khalid Market,
Model Town, Town Hall Road
Tel: (+92-68) 5871652-3
Fax: (+92-68) 5871651

Multan Office
Mezzanine Floor, Abdali Tower,
Abdali Road
Tel: (92-61) 4512003, 4571183

IGI Finex Securities Limited
Research Analyst(s)
Research Identity Number: BRP009