INTERNATIONAL MONETARY FUND

IMF Country Report No. 20/114

PAKISTAN

April 2020

REQUEST FOR PURCHASE UNDER THE RAPID FINANCING INSTRUMENT—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR PAKISTAN

In the context of the Request for Purchase Under the Rapid Financing Instrument, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on April 16, 2020, following discussions that ended April 3, 2020, with the officials of Pakistan on economic developments and policies underpinning the IMF arrangement under the Rapid Financing Instrument. Based on information available at the time of these discussions, the staff report was completed on April 10, 2020.
- A **Debt Sustainability Analysis** prepared by the staff of the IMF.
- A **Statement by the Executive Director** for Pakistan.

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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PRESS RELEASE

PR 20/167

IMF Executive Board Approves a US$1.386 Billion Disbursement to Pakistan to Address the COVID-19 Pandemic

FOR IMMEDIATE RELEASE

- The IMF approved the disbursement of US$1.386 billion under the Rapid Financing Instrument to address the economic impact of the Covid-19 shock.
- With the near-term outlook deteriorating sharply, the authorities have swiftly put in place measures to contain the impact of the shock and support economic activity. Crucially, health spending has been increased and social support strengthened.
- As the impact of the COVID-19 shock subsides, the authorities' renewed commitment to implement the policies in the existing EFF will help support the recovery and strengthen resilience.

WASHINGTON, DC – **April 16, 2020**. The Executive Board of the International Monetary Fund (IMF) approved a purchase of Pakistan under the Rapid Financing Instrument (RFI) equivalent to SDR 1,015.5 million (US$ 1.386 billion, 50 percent of quota) to meet the urgent balance of payment needs stemming from the outbreak of the COVID-19 pandemic.

While uncertainty remains high, the near-term economic impact of COVID-19 is expected to be significant, giving rise to large fiscal and external financing needs. The IMF support will help to provide a backstop against the decline in international reserves and provide financing to the budget for targeted and temporary spending increases aimed at containing the pandemic and mitigating its economic impact.

The IMF remains closely engaged with the Pakistani authorities and as the impact of the COVID-19 shock subsides will resume discussions as part of the current EFF.

Following the Executive Board discussion, Mr. Geoffrey Okamoto, First Deputy Managing Director and Acting Chair, made the following statement:

"The outbreak of Covid-19 is having a significant impact on the Pakistani economy. The domestic containment measures, coupled with the global downturn, are severely affecting growth and straining external financing. This has created an urgent balance of payments need.

"In this context of heightened uncertainty, IMF emergency financing under the Rapid Financing Instrument provides strong support to the authorities' emergency policy response, preserving fiscal space for essential health spending, shoring up confidence, and catalyzing additional donor support.

"In response to the crisis, the government of Pakistan has taken swift action to halt the community spread of the virus and introduced an economic stimulus package aimed at accommodating the spending needed to tackle the health emergency and supporting economic activity. Crucially, the authorities are increasing public health spending and

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strengthening social safety net programs to provide immediate relief to the most vulnerable. Similarly, the State Bank of Pakistan has adopted a timely set of measures, including a lowering of the policy rate and new refinancing facilities, to support liquidity and credit conditions and safeguard financial stability. In this context, the authorities' policies should be targeted and temporary.

"As the crisis abates, the authorities' renewed commitment to the reforms in the existing Extended Fund Facility—in particular those related to fiscal consolidation strategy, energy sector, governance, and remaining AML/CFT deficiencies—will be crucial to entrench resilience, boost Pakistan's growth potential, and deliver broad based benefits for all Pakistanis.

"Expeditious donor support is needed to close the remaining balance of payments gap and ease the adjustment burden."

For information on the emergency financing requests approved by the IMF Executive Board, please see a link to the IMF Lending Tracker: https://www.imf.org/en/Topics/imf-and-covid19/COVID-Lending-Tracker

For upcoming discussions on the emergency financing requests, please see a link to the calendar of the IMF Executive Board meetings: https://www.imf.org/external/NP/SEC/bc/eng/index.aspx

INTERNATIONAL MONETARY FUND

PAKISTAN

April 10, 2020

REQUEST FOR PURCHASE UNDER THE RAPID FINANCING INSTRUMENT

EXECUTIVE SUMMARY

Context. Pakistan is facing unprecedented health and economic shocks from the rapid propagation of the Covid-19 outbreak. Growth is expected to contract sharply, by -1.5 percent in FY 2020, as the economy is buffeted by demand and supply shocks. Exports and remittances are expected to decline sharply, which together with a temporary loss of market access create an urgent balance of payments (BoP) need. In addition, public finances are expected to come under significant pressure from the sudden increase in health- and mitigation-related expenditures as well as the decline in tax revenues.

Financial assistance under the Rapid Financing Instrument (RFI). The authorities have requested financial assistance under the RFI in the amount of 50 percent of quota (SDR 1,015.5 million) to help address the urgent fiscal and BoP needs, while making these resources available to the budget to support the emergency policy response. The RFI is the appropriate instrument to support Pakistan at this juncture as the severity of the shock and the uncertainty about the outlook make it difficult to recalibrate the existing Extended Fund Facility (EFF) to ensure that it remains on track to meet its objectives. Fund support under the RFI is expected to catalyze additional donor financing.

Policies. The authorities have timely adopted a comprehensive fiscal support package aimed at accommodating the spending needed to mitigate the impact of the Covid-19 shock. Crucially, the authorities are increasing public health spending and strengthening social safety net programs to provide immediate cash support to a wider segment of the vulnerable population affected by the mitigation policies. In addition, the State Bank of Pakistan has adopted measures to support liquidity and credit conditions and safeguard financial stability. The authorities have also reaffirmed their commitment to the existing EFF and, as the impact of the Covid-19 shock subsides, to implement key policies in the program that will help support the recovery, build buffers, and reduce public debt.

Debt sustainability. Although the shock has increased near-term risks, staff assess that with strong policy implementation under the EFF and continued support by multilateral and official bilateral creditors, Pakistan's debt remains sustainable over the medium-term and capacity to repay the Fund is adequate. Staff therefore recommend Board approval of Pakistan's request for a disbursement under the Rapid Financing instrument of 50 percent of quota (SDR 1,015.5 million).

Approved By
Thanos Arvanitis and Kristina Kostial

The staff team comprised Ernesto Ramirez Rigo (head), Ricardo Llaudes, Christine Richmond, Tannous Kass-Hanna (all MCD), Svetlana Cerovic (FAD), Carlos de Barros Serrao (MCM), Jongsoon Shin (SPR), Teresa Daban-Sanchez (resident representative), and Zafar Hayat and Saher Masood (Resident Representative Office). Tetyana Sydorenko (MCD) provided research assistance and Maria Orihuela-Quintanilla provided document management (MCD). The team met remotely with Dr. Abdul Hafeez Shaikh, Advisor to the Prime Minister on Finance and Revenue, Dr. Reza Baqir, Governor of the State Bank of Pakistan, and other senior officials.

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RECENT ECONOMIC DEVELOPMENTS

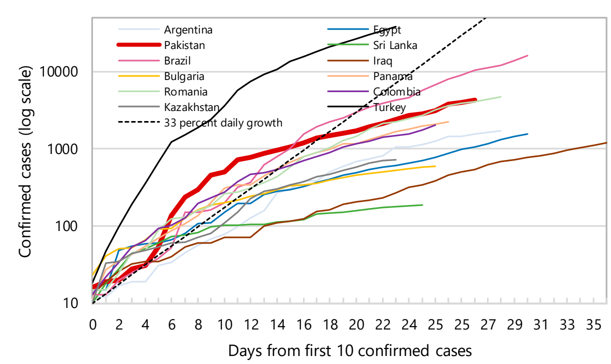
1. **Prior to the Covid-19 shock, external imbalances had been significantly reduced and the economy was poised to strengthen**. Growth was projected at 2.4 percent in FY 2020, accelerating to 3 percent in FY 2021. The current account deficit was expected to narrow to 2.2 percent of GDP from 4.9 percent of GDP the previous year, with reserves topping US$12.5 billion (2.5 months of imports). Inflation, which had been hit by a series of temporary food price shocks, was expected to gradually return towards the State Bank of Pakistan's (SBP) forecast range of 11–12 percent and to reach the 5–7 percent inflation objective by late FY 2021. The fiscal performance was strong until December 2019, with a primary surplus of 0.7 percent of GDP and public debt at 84 percent of GDP. The banking system remained broadly sound, with system-wide capital adequacy ratio at 17 percent in December 2019 and the non-performance loan (NPL) ratio at 8.6 percent, with the bulk of NPLs provisioned (81.4 percent).

2. **This performance was the result of the authorities' strong policy and reform efforts anchored in the Extended Fund Facility (EFF)**. Supported by the EFF, the authorities had undertaken policies and reforms to stabilize the economy and lay the basis for sustainable growth. Key achievements include the adoption of a market-determined exchange rate, the advancement of fiscal reforms to broaden the tax base through the elimination of concessions and exemptions and to ensure budgetary discipline at all levels of government, the strengthening of safety nets and increasing health and social spending to protect the most vulnerable, and the adjustment of power tariffs to bring them closer to cost recovery.

IMPACT OF THE SHOCK

3. **The Covid-19 related shock has altered the near-term outlook as the virus is spreading rapidly, stressing a weak health system, and the containment measures have started to affect the economy**. Confirmed cases are growing faster than in most EMs—as of April 9 there were 4,474 confirmed cases and 65 deaths, up from only 30 confirmed cases on March 13—severely affecting the largest provinces of Punjab and Sindh. The number of cases is likely to significantly increase as more testing is done. In response the authorities have closed the borders with Iran and Afghanistan, halted domestic and international flights as well as rail transport, and put limits on economic and social activity. The country is now under various degrees of lockdown and the largest two provinces, Sindh and Punjab (85 percent of the population and economic activity) have called the army to help with it and logistical aspects. The social and economic impact is expected to be especially severe in the coming two quarters.

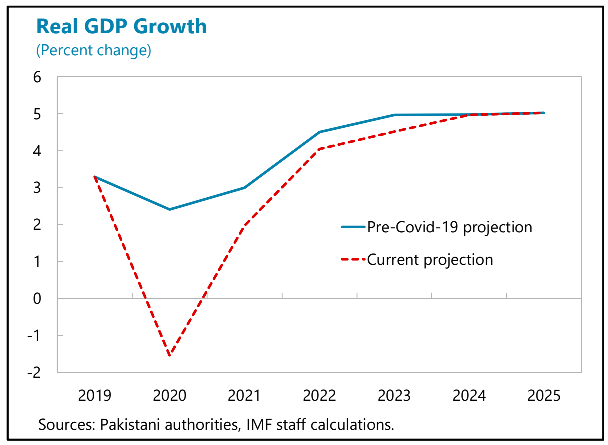
COVID-19 Confirmed Cases



Source: Johns Hopkins CSSE (April 9, 2020)

4. The near-term economic impact of Covid-19 is expected to be significant. While uncertainty is high, Pakistan's economy will be impacted through external and domestic channels: Externally, the global downturn, including in Pakistan's major export markets (China, the EU, and the U.S.), would reduce demand for Pakistan's exports, especially textiles, and lead to more limited financial flows. In addition, remittances are expected to decline sharply. Domestically, the impact of containment measures together with heightened uncertainty and a generalized loss of confidence by business and consumers are likely to result in concurrent demand and supply shocks feeding off each other, with severe effects on investment and output. In particular:

- *While forecasts are subject to higher than usual uncertainty, economic activity is expected to contract for the first time since the 1950s.* Real GDP is projected to decline by –1.5 percent in FY 2020 as a result of a severe contraction in output during the last quarter of the fiscal year.[1] Growth is expected to remain tepid in H1 FY 2021, depending on the success of efforts to contain the spread of the pandemic in Pakistan and worldwide, and to return gradually to faster growth in the second half of the FY in line with the expected global recovery. Cumulatively, real GDP growth has been revised down by 5 percentage points over FY 2020–21. Manufacturing, especially textiles, transportation, and services are expected to be the sectors more severely impacted. Private sector credit is likely to weaken further due to the heightened uncertainty.



- *Public finances are expected to come under significant pressure*. The primary deficit is now expected to deteriorate to 2.9 percent of GDP in FY 2020 (from 0.8 percent expected earlier) due to a 1.8 percentage point decline in tax revenue relative to the pre-virus baseline, and the needed higher spending to support the health response, social safety nets for the very poor, and employment.

5. The shock has given rise to an urgent balance of payments (BoP) need. While the fall in oil prices and weaker import demand provide some support to the current account, the Covid-19 shock will have a severe impact on the BoP. In particular, (i) export growth is likely to come to a halt due to the fall in external demand; (ii) remittances are expected to drop by over US$5 billion during FY 2020 and FY 2021 as activity in GCC countries declines; and (iii) outflows from non-resident holdings of domestic treasuries could continue, despite having experienced $2.0 billion in outflows so far. This scenario will result in new external financing needs of about US$2.0 billion (0.8 percent of GDP; SDR 1,400 million) in Q4 FY 2020. It is envisaged that these urgent external financing needs will

[1] Pakistan's fiscal year ends June 30. National accounts are only available on an annual frequency.

be met through the use of Fund credit under the RFI and fresh resources of around US$250 million committed by multilateral partners.[2] These disbursements would maintain central bank reserves at US$12.0 billion (2.7 months of imports) by end-FY 2020, a level similar to that prior the shock. Moreover, a potential financing gap of around $1.6 billion could emerge in FY 2021, which would be filled through the use of reserve assets, additional support from multilateral partners, and, if needed, additional policy adjustments.

External Financing Needs 1/

	FY20			FY21		
	Before Covid-19 (A)	After Covid-19 (B)	Difference (B-A)	Before Covid-19 (A)	After Covid-19 (B)	Difference (B-A)
Current Account Balance	-6,082	-4,505	1,577	-5,980	-6,570	-589
o/w Goods and services trade balance	-25,518	-23,138	2,380	-26,699	-23,530	3,169
o/w Remittances	22,580	20,790	-1,790	23,767	20,520	-3,247
Capital and Financial Account Balance	10,488	6,920	-3,568	10,052	9,082	-969
FDI	1,927	1,610	-317	2,475	1,902	-573
Portfolio Inflows	2,117	594	-1,523	2,396	1,896	-500
Other Investment	6,117	4,396	-1,721	4,884	4,986	102
o/w General Government	7,776	7,119	-657	5,595	5,875	280
Financing Gap			-1,991			
IFI Financing in response to Covid-19			1,653			
RFI		1,403	1,403			
Other IFIs (new net) 2/		250	250			
Gross International Reserves	12,568	11,981	-587	16,865	15,624	-1,242

1/ millions of USD

2/ This only includes net new financing and excludes the reallocation of existing program or project loans. This is also reflected in general government financing.

POLICY RESPONSE

6. **The authorities are taking steps to contain the ensuing economic impact**. On March 24, the Prime Minister announced a comprehensive fiscal package aiming to boost the health and disaster response capabilities and reduce the impact on low-income households that will be affected by the containment measures. In addition, the SBP has put in place measures to alleviate liquidity and foreign exchange market pressures.

7. **The announced fiscal stimulus package, worth 1.2 percent of GDP**, includes (i) relief to vulnerable families through an expansion of existing programs and higher disbursements (see below); (ii) support for daily wage earners by establishing a PRs 200 billion fund for the most affected workers; (iii) strengthening the utility stores corporation network and funding to increase food security; (iv) temporary reduction in food prices to ensure essential items remain affordable; (v) provision of affordable healthcare through the elimination of taxes on essential health machinery and

Covid-19 Fiscal Package
(In percent of GDP)

Total	**1.2**
Health and disaster response	0.2
Support for low-income	0.6
Support for exporters	0.2
Other	0.2

Source: Ministry of Finance and IMF staff estimates.

[2] The authorities are actively engaged with the World Bank and the Asia Development Bank to define the modalities of these support.

equipment; (vi) support for the export sector by eliminating the backlog on GST tax refunds, which will provide immediate cash flow relief; (vii) reduction in oil prices; (viii) relief on electricity and gas bills by providing options for installment payments; (ix) increase funding for the National Disaster Management Authority of Pakistan, the central focal agency to combat Covid-19, for the purchase of additional equipment and operations; and (x) building a contingency fund. In addition, the authorities have launched a program for the construction sector to address the acute employment needs generated by the lockdown, which include a special tax regime and no wealth declaration for projects launched during a short window until the end of 2020. To ensure the quality of emergency spending in the health sector, the authorities commit to subject the procurement of urgently needed medical supplies to an ex-post audit by the Auditor General of Pakistan, the results of which will be published on the website of the Ministry of Finance. This measure will help limit vulnerabilities to corruption.

8. Staff advised that the fiscal response should focus on tackling the health emergency and preventing it from becoming a humanitarian crisis, while preserving long-term sustainability. Staff stressed that the enacted measures should be targeted and temporary, focusing in particular on health spending and utilizing existing social support schemes to provide quick and targeted support to the most vulnerable, but not result in permanent distortions of the overall fiscal envelope. In that context, staff welcomed the scaling up of social assistance and the launching under Ehsaas of the Emergency Cash Program to provide immediate financial support to over 10 million recipients identified with support of the provinces.[3]

9. The SBP has swiftly adopted measures to support liquidity and credit conditions, and to safeguard financial stability. In particular, the SBP has:

- *Cut the policy rate* by a cumulative 225 basis points to 11 percent and has intervened in the FX market to prevent disorderly marker conditions. Importantly, it has allowed the exchange rate to act as shock absorber, accommodating an 8 percent depreciation[4] of the exchange rate versus the US$, and only intervening in the foreign exchange market to avoid disorderly market conditions and excessive rupee volatility.
- *Expanded refinancing schemes*, announcing new facilities to support employment, manufacturing, and hospitals and medical centers, as well as relaxing the conditions associated with its export refinancing and long-term financing schemes.
- *Announced temporary regulatory measures* to maintain banking system soundness and sustain economic activity. These include (i) reducing the capital conservation buffer by 100 basis points to 1.5 percent; (ii) increasing the regulatory limit on extension of credit to SMEs by 44 percent to PRs 180 million; (iii) relaxation of the debt burden ratio for consumer loans from 50 percent to 60 percent; (iv) allowing banks to defer clients' payment of principal

[3] These are: 4.5 million from the existing BISP beneficiaries; 3 million new recipients identified from the NSER database by relaxing the eligibility threshold; and 2.5 million additional recipients not included in the NSER but that still have a very low-income level. The new 5.5 million beneficiaries will not be part of the regular BISP system.

[4] Over the period February 27 through April 9, 2020.

on loan obligations by one year; and (v) relaxation of regulatory criteria for restructured/rescheduled loans for borrowers who require relief beyond the extension of principal repayment for one year.

10. **Staff welcomed the timely monetary policy response and exchange rate flexibility but cautioned on the need to preserve monetary and financial sector stability**. Staff noted that the SBP's monetary accommodation is an adequate response to the Covid-19 shock but, with inflation still in the double-digits, cautioned on the need to remain vigilant of potential inflationary pressure arising from the rupee depreciation and supply-side pressures. In this context, staff stressed that intervention in the foreign exchange market should remain limited to prevent disorderly market conditions. Finally, staff emphasized that regulatory measures and expanded refinancing schemes must be targeted and temporary, and their design should not create moral hazard nor foster poor credit risk management practices. In this context, staff encouraged the adoption of the necessary supervisory procedures to ensure that measures proposed will not obscure credit quality assessment in the future.

11. **The authorities reiterated their commitment to resume the reforms included in the EFF once the crisis abates**. These reforms are crucial to boost Pakistan's growth potential to deliver broad based benefits for all Pakistanis, especially the most vulnerable segments of the population. Reassuringly, the authorities have reaffirmed their commitment to the EFF and to implement the key policies in the program that will help support growth, build buffers, reduce public debt, and strengthen governance. In this regard, they underscored their commitment to maintain the fiscal consolidation strategy and efforts in energy sector and governance reforms embedded in the EFF. The authorities have requested that staff continue its close engagement with them to support the design of future policy moves.

DEBT SUSTAINABILITY

12. **Pakistan's public debt is assessed to be sustainable, but risks have increased**. The Covid-19 shock will unfortunately reverse the decline in public debt in recent months on the back of the authorities' fiscal consolidation efforts. Instead, debt is projected to increase to around 90 percent of GDP in FY 2020, against 85 percent prior to the shock, both due to the sharp decline in growth and the increase in the budget deficit. The authorities' commitment to the policies and reforms envisaged under the EFF is reassuring and critical to place debt on a firm downward path (Annex on DSA). In this context, a more severe impact of Covid-19 than projected or the authorities' failure to return to the path of consolidation may put fiscal sustainability at risk. Debt sustainability is supported by the agreed rollover of maturing obligations by key bilateral creditors (China, Saudi Arabia, and UAE), as demonstrated by the established track record over the last 9 months. These are also critical to reduce gross financing needs to 19.5 percent of GDP by FY 2025, supported also by the authorities' efforts to improve the maturity structure of debt. While portfolio outflows have put some pressure on the foreign exchange market, Pakistan's exposure to capital markets is relatively limited, minimizing risks.

RISKS

13. Downside risks to the outlook are high given the unusual uncertainty about the duration and magnitude of the outbreak and the persistence of measures to contain it. The baseline assumes a gradual lifting of containment measures and normalization of economic activity both domestically and internationally in FY 2021, but a deeper slowdown cannot be ruled out if these assumptions do not materialize. At the same time, with growth remaining below potential, risks associated with policy slippages and resistance to reforms, including from vested interest groups, loom large. This, together with weak implementation capacity, may jeopardize program objectives and the availability of external financing. The authorities' commitment to the current EFF program mitigates some of the downside risks, and their decisive policy and reform implementation would support a faster recovery in the coming years.

MODALITIES OF SUPPORT

14. Staff supports the authorities' request for financial assistance of 50 percent of quota (SDR 1,015.5 million) under the RFI to help Pakistan meet its urgent BoP needs. The RFI is the appropriate instrument to support Pakistan at this juncture as the severity of the shock and the uncertainty about the outlook make it difficult to recalibrate the existing EFF to ensure that it remains on track to meet its objectives. Staff assesses that Pakistan meets the eligibility requirements for an RFI. It faces an urgent BoP need, which, if not addressed, would result in immediate and severe economic disruption. The authorities are pursuing policies that are appropriate to address the impact of the virus and remain committed to resume the EFF, as soon as possible, to implement the agreed reform agenda to support growth and strengthen resilience. Based on discussion with donors (World Bank and Asian Development Bank), Fund support under the RFI will catalyze additional donor support to fill all financing needs.

15. The RFI disbursement will be made available to the budget to support the emergency policy response. In this regard, the Ministry of Finance and the SBP have committed to update the existing Memorandum of Understanding that clarifies the responsibilities for timely servicing of the obligations to the Fund.

16. Capacity to repay the Fund would remain adequate (Table 7). Projected debt service payments to the Fund would peak at 9.3 percent of gross international reserves and 5.4 percent of exports. An updated safeguards assessment was completed in December 2019 in the context of the current EFF, assessing that the SBP has maintained a broadly strong safeguards framework. The authorities are committed to addressing any remaining issues, including through the agreed submission of amendments to the SBP act to the national assembly.

STAFF APPRAISAL

17. Pakistan is facing an unprecedented health and economic shock, creating an urgent balance of payments need. Covid-19 is spreading rapidly, stressing a weak health system, and the containment measures have started to affect the economy. The country is now under various degrees of lockdown, further limiting economic and social activity. As a result, growth is expected to significantly contract as the economy is buffeted by demand and supply shocks, public finances are expected to come under significant pressure, and access to capital markets is temporarily lost. This will give rise to urgent BoP needs of about US$2.0 billion (0.8 percent of GDP) in Q4 FY 2020 that, if not addressed, could result in severe economic disruptions. Similarly, a potential financing gap of around $1.6 billion could emerge in FY 2021.

18. The authorities' response measures have been appropriate, but it must be temporary. The announced fiscal support package, including the expansion of social programs, rightly focuses on tackling the health emergency and supporting the most vulnerable, while aiming to support economic activity. Similarly, the SBP's proactive liquidity- and credit-support initiatives should shore up activity and safeguard financial stability. Nonetheless, given Pakistan's limited fiscal space and remaining vulnerabilities, enacted support measures must be targeted and temporary, focusing on the immediate health spending needs and protection of the most vulnerable, while preserving long-term sustainability. In this context, the authorities must decisively press ahead with the reforms included in the EFF as soon as the immediate crisis pressures subside.

19. Staff supports the proposed purchase under the RFI. Pakistan meets the eligibility requirements for the RFI, its debt is sustainable with continued strong policy implementation, and its capacity to repay the Fund remains adequate.

Table 1. Pakistan: Selected Economic Indicators, 2016/17–2020/21 1/

Population: 207.8 million (2016/17; provisional)
Per capita GDP: US$1,463 (2016/17)
Poverty rate: 29.5 percent (2012/13)
Main exports: Textiles ($12.4 billion, 2018/19)
Unemployment: 4.1 percent (2018/19)

	2016/17	2017/18	2018/19	2019/20		2020/21	
			Est.	Pre Covid19	Proj.	Pre Covid19	Proj.
			(Annual percentage change)				
Output and prices							
Real GDP at factor cost	5.2	5.5	3.3	**2.4**	-1.5	**3.0**	2.0
GDP deflator at factor cost	4.0	2.4	7.5	**11.8**	11.3	**8.3**	8.0
Consumer prices (period average)	4.1	3.9	7.3	**11.8**	11.3	**8.3**	8.0
Consumer prices (end of period)	3.9	5.2	8.0	**11.4**	9.8	**8.4**	7.4
Pakistani rupees per U.S. dollar (period average)	0.4	5.0	24.0	**…**	…	**…**	…
Pakistani rupees per U.S. dollar (end of period)	0.2	13.9	30.5	**…**	…	**…**	…
			(In percent of GDP)				
Saving and investment							
Gross saving	12.0	10.4	10.6	**11.0**	11.2	**11.4**	9.0
Government	-0.8	-2.2	-6.2	**-3.9**	-6.9	**-2.4**	-3.7
Nongovernment (including public sector enterprises)	12.8	12.6	16.8	**15.0**	18.1	**13.8**	12.7
Gross capital formation 2/	16.2	16.7	15.4	**13.2**	12.9	**13.4**	11.4
Government	4.9	4.2	2.6	**3.3**	2.3	**3.3**	2.7
Nongovernment (including public sector enterprises)	11.2	12.5	12.8	**10.0**	10.6	**10.1**	8.6
Public finances							
Revenue and grants	15.5	15.2	12.8	**16.0**	14.3	**17.1**	15.8
Expenditure (including statistical discrepancy)	21.3	21.6	21.6	**23.2**	23.5	**22.8**	22.3
Budget balance (including grants)	-5.8	-6.4	-8.8	**-7.2**	-9.2	**-5.7**	-6.5
Budget balance (excluding grants)	-5.8	-6.5	-8.9	**-7.3**	-9.3	**-5.8**	-6.6
Primary balance (excluding grants)	-1.6	-2.2	-3.5	**-0.8**	-2.9	**0.7**	-0.4
Total general government debt excl. IMF obligations	65.1	69.5	81.2	**78.0**	82.8	**75.1**	80.6
External general government debt	18.5	22.1	27.4	**27.9**	28.9	**28.0**	29.1
Domestic general government debt	46.5	47.4	53.8	**50.1**	53.8	**47.1**	51.5
General government debt incl. IMF obligations	67.1	71.6	83.5	**80.4**	85.4	**77.4**	83.3
External general government debt	20.5	24.2	29.7	**30.2**	31.5	**30.3**	31.9
Domestic general government debt	46.5	47.4	53.8	**50.1**	53.8	**47.1**	51.5
	(Annual changes in percent of initial stock of broad money, unless otherwise indicated)						
Monetary sector							
Net foreign assets	-3.2	-5.6	-8.1	**9.1**	8.7	**5.2**	4.6
Net domestic assets	16.9	15.3	19.4	**5.6**	7.7	**6.6**	9.6
Broad money (percent change)	13.7	9.7	11.3	**14.7**	16.4	**11.8**	14.2
Reserve money (percent change)	22.5	12.7	19.9	**17.5**	18.3	**11.0**	14.7
Private credit (percent change)	16.6	14.9	11.9	**12.2**	5.1	**13.0**	12.2
Six-month treasury bill rate (period average, in percent)	5.9	6.0	9.6	**…**	…	**…**	…
External sector							
Merchandise exports, U.S. dollars (percentage change)	0.1	12.6	-2.1	**5.6**	-2.1	**6.9**	4.7
Merchandise imports, U.S. dollars (percentage change)	17.9	16.2	-6.6	**-8.8**	-16.0	**5.5**	3.0
Current account balance (in percent of GDP)	-4.1	-6.3	-4.9	**-2.2**	-1.7	**-2.0**	-2.4
Financial account (billions of U.S. dollars)	10.2	14.3	11.9	**10.2**	7.5	**9.8**	8.8
	(In percent of exports of goods and services, unless otherwise indicated)						
External public and publicly guaranteed debt	209.4	218.3	239.4	**248.6**	271.4	**252.5**	282.5
Debt service	30.1	26.3	39.7	**53.1**	59.5	**58.1**	64.7
Gross reserves (in millions of U.S. dollars) 3/	16,141	9,789	7,274	**12,568**	11,981	**16,865**	15,624
In months of next year's imports of goods and services	2.9	1.9	1.7	**2.5**	2.7	**3.1**	3.3
Memorandum items:							
Underlying fiscal balance (excl. grants; percent of GDP) 4/	-6.3	-6.5	-8.9	**-7.3**	-9.3	**-5.8**	-6.6
General government and government guaranteed debt (incl. IMF; % GDP)	70.0	75.2	87.5	**84.6**	89.8	**81.6**	87.8
Net general government debt (incl. IMF; % GDP)	61.5	66.1	75.2	**73.6**	78.3	**71.4**	77.0
Real effective exchange rate (annual average, percentage change)	4.3	-6.4	-11.7	**…**	…	…	…
Real effective exchange rate (end of period percentage change)	3.4	-11.2	-15.4	**…**	…	…	…
Terms of trade (percentage change)	-1.5	-2.9	0.8	**-20.9**	-15.9	**0.1**	4.4
Real per capita GDP (percentage change)	3.2	3.6	1.4	**0.5**	-3.4	**1.1**	0.1
GDP at market prices (in billions of Pakistani rupees)	31,922	34,619	38,559	**44,058**	41,939	**49,792**	46,629
Per capita GDP (in U.S. dollars)	1,529.6	1,550.9	1,367.1	**…**	…	…	…
Population (millions)	197.3	201.0	204.7	**208.6**	208.6	**212.5**	212.5
GDP at market prices (in billions of U.S. dollars)	304.6	314.6	282.5	**…**	…	…	…

Sources: Pakistani authorities; World Bank; and IMF staff estimates and projections.
1/ Fiscal year ends June 30. Pre-Covid19 columns refer to projections as of the end of the 2nd EFF review mission, February 27, 2020.
2/ Including changes in inventories.
3/ Excluding gold and foreign currency deposits of commercial banks held with the State Bank of Pakistan.
4/ Excludes one-off transactions, including asset sales.

Table 2. Pakistan: Medium-Term Macroeconomic Framework, 2016/17–2024/25

	2016/17	2017/18	2018/19	2019/20		2020/21		2021/22	2022/23	2023/24	2024/25
			Est.	Pre Covid19	Proj.	Pre Covid19	Proj.	Proj.			
				(Annual percentage change, unless otherwise indicated)							
Output and prices											
Real GDP at factor cost	5.2	5.5	3.3	**2.4**	-1.5	**3.0**	2.0	4.0	4.5	5.0	5.0
Net exports (percent contribution to real GDP at factor cost)	-3.5	-1.9	0.1	**3.5**	3.1	**-0.4**	-0.9	-0.2	-0.4	-0.3	-0.4
GDP deflator at factor cost	4.0	2.4	7.5	**11.8**	11.3	**8.3**	8.0	7.0	6.0	5.0	5.0
Consumer prices (period average)	4.1	3.9	7.3	**11.8**	11.3	**8.3**	8.0	7.0	6.0	5.0	5.0
				(In percent of GDP)							
Saving and investment balance	-4.1	-6.3	-4.9	**-2.2**	-1.7	**-2.0**	-2.4	-2.4	-2.5	-2.7	-2.7
Government	-5.8	-6.4	-8.8	**-7.2**	-9.2	**-5.7**	-6.5	-5.0	-4.0	-3.9	-3.5
Nongovernment (including public sector enterprises)	1.6	0.1	4.0	**5.0**	7.5	**3.7**	4.1	2.6	1.5	1.1	0.8
Gross national saving	12.0	10.4	10.6	**11.0**	11.2	**11.4**	9.0	9.8	10.8	11.6	12.5
Government	-0.8	-2.2	-6.2	**-3.9**	-6.9	**-2.4**	-3.7	-2.1	-1.1	-0.8	-0.4
Nongovernment (including public sector enterprises)	12.8	12.6	16.8	**15.0**	18.1	**13.8**	12.7	11.9	11.9	12.3	13.0
Gross capital formation	16.2	16.7	15.4	**13.2**	12.9	**13.4**	11.4	12.2	13.4	14.3	15.3
Government	4.9	4.2	2.6	**3.3**	2.3	**3.3**	2.7	2.9	3.0	3.1	3.1
Nongovernment (including public sector enterprises)	11.2	12.5	12.8	**10.0**	10.6	**10.1**	8.6	9.3	10.4	11.2	12.2
				(In billions of U.S. dollars, unless otherwise indicated)							
Balance of Payments											
Current account balance	-12.6	-19.9	13.8	**-6.1**	-4.5	**-6.0**	-6.6	-7.4	-8.4	-9.8	-10.5
Current account balance (in percent of GDP)	-4.1	-6.3	-4.9	**-2.2**	-1.7	**-2.0**	-2.4	-2.4	-2.5	-2.7	-2.7
Net capital flows 1/	10.7	13.8	12.3	**11.2**	8.5	**10.1**	9.1	11.9	12.1	12.3	14.7
Of which: foreign direct investment 2/	2.7	3.5	1.7	**1.9**	1.6	**2.5**	1.9	2.6	3.2	4.7	5.7
Gross reserves	16.1	9.8	7.3	**12.6**	12.0	**16.9**	15.6	20.6	24.1	24.8	27.3
In months of imports 3/	2.9	1.9	1.7	**2.5**	2.7	**3.1**	3.3	4.1	4.4	4.2	4.2
External debt (in percent of GDP)	27.4	30.3	37.6	**41.0**	42.2	**41.3**	43.6	43.2	43.2	41.4	39.3
Terms of trade (annual percentage change)	-1.5	-2.9	0.8	**-20.9**	-15.9	**0.1**	4.4	-1.7	-0.3	-0.2	0.0
Real effective exchange rate (annual average, percentage change)	4.3	-6.4	-11.7	**...**	...	**...**	...	...	...	...	...
Real effective exchange rate (end of period, percentage change)	3.4	-11.2	-15.4	**...**	...	**...**	...	...	...	...	...
				(In percent of GDP)							
Public finances											
Revenue and grants	15.5	15.2	12.8	**16.0**	14.3	**17.1**	15.8	16.8	17.4	17.5	17.4
Of which: tax revenue	12.4	12.9	11.6	**12.8**	11.0	**14.6**	13.3	14.3	14.9	14.9	14.9
Expenditure (including statistical discrepancy)	21.3	21.6	21.6	**23.2**	23.5	**22.8**	22.3	21.8	21.5	21.3	20.9
Of which: current	16.6	17.3	18.9	**19.9**	21.2	**19.5**	19.5	18.9	18.5	18.3	17.9
Of which: development	4.9	4.2	2.6	**3.3**	2.3	**3.3**	2.7	2.9	3.0	3.1	3.1
Primary balance (including grants)	-1.5	-2.1	-3.4	**-0.7**	-2.7	**0.8**	-0.3	0.8	1.5	1.5	1.6
Primary balance (excluding grants)	-1.6	-2.2	-3.5	**-0.8**	-2.9	**0.7**	-0.4	0.7	1.4	1.4	1.5
Budget balance (including grants)	-5.8	-6.4	-8.8	**-7.2**	-9.2	**-5.7**	-6.5	-5.0	-4.0	-3.9	-3.5
Budget balance (excluding grants)	-5.8	-6.5	-8.9	**-7.3**	-9.3	**-5.8**	-6.6	-5.1	-4.1	-3.9	-3.6
Underlying fiscal balance (excl. grants; percent of GDP) 4/	-6.3	-6.5	-8.9	**-7.3**	-9.3	**-5.8**	-6.6	-5.1	-4.1	-3.9	-3.6
General government and government guaranteed debt (incl. IMF)	70.0	75.2	87.5	**84.6**	89.8	**81.6**	87.8	83.7	80.8	77.5	73.1
General government debt (incl. IMF)	67.1	71.6	83.5	**80.4**	85.4	**77.4**	83.3	79.3	76.4	73.1	68.8
Net general government debt (incl. IMF)	61.5	66.1	75.2	**73.6**	78.3	**71.4**	77.0	73.6	71.3	68.4	64.5

Sources: Pakistani authorities; and IMF staff estimates and projections.

1/ Difference between the overall balance and the current account balance.

2/ Including privatization.

3/ In months of next year's imports of goods and services.

4/ Excludes one-off transactions, including asset sales.

Table 3a. Pakistan: Balance of Payments, 2016/17–2024/25

(In millions of U.S. dollars, unless otherwise stated)

	2016/17	2017/18	2018/19	2019/20		2020/21		2021/22	2022/23	2023/24	2024/25
			Est.	Pre Covid19	Proj.	Pre Covid19	Proj.		Proj.		
Current account	-12,621	-19,897	-13,830	**-6,082**	-4,505	**-5,980**	-6,570	-7,402	-8,376	-9,759	-10,511
Balance on goods	-26,754	-31,911	-28,687	**-22,699**	-20,749	**-23,594**	-20,981	-22,524	-23,918	-25,511	-27,489
Exports, f.o.b.	21,996	24,758	24,241	**25,592**	23,732	**27,370**	24,847	26,509	28,368	30,864	33,940
Imports, f.o.b.	48,750	56,669	52,928	**48,291**	44,481	**50,964**	45,828	49,033	52,287	56,375	61,429
Services (net)	-4,247	-5,878	-4,061	**-2,818**	-2,389	**-3,105**	-2,549	-2,641	-3,021	-3,147	-3,438
Services: credit	5,535	5,257	5,254	**6,014**	4,403	**6,573**	4,802	5,171	5,611	6,130	6,751
Of which: Coalition Support Fund	550	0	0	**0**	0	**0**	0	0	0	0	0
Of which: 3G Licenses	0	0	0	**0**	0	**0**	0	0	0	0	0
Services: debit	9,782	11,135	9,315	**8,832**	6,792	**9,678**	7,351	7,812	8,632	9,277	10,189
Income (net)	-5,066	-5,587	-5,745	**-5,412**	-4,473	**-6,087**	-5,866	-5,969	-6,268	-7,079	-6,460
Income: credit	696	721	696	**511**	515	**700**	613	625	730	852	973
Income: debit	5,762	6,308	6,441	**5,923**	4,988	**6,787**	6,480	6,594	6,998	7,931	7,433
Of which: interest payments	2,421	3,056	3,644	**3,590**	3,548	**3,788**	3,533	3,960	4,619	5,083	4,812
Of which: income on direct investment	3,327	3,217	2,847	**2,467**	1,575	**2,999**	2,947	2,634	2,379	2,848	2,621
Balance on goods, services, and income	-36,067	-43,376	-38,493	**-30,930**	-27,611	**-32,786**	-29,397	-31,134	-33,208	-35,737	-37,387
Current transfers (net)	23,446	23,479	24,663	**24,848**	23,106	**26,805**	22,827	23,732	24,831	25,978	26,876
Current transfers: credit, *of which:*	23,647	23,708	24,868	**25,121**	23,359	**26,964**	22,986	23,891	24,990	26,137	27,035
Official	541	913	689	**491**	491	**415**	415	335	415	415	415
Workers' remittances	19,351	19,914	21,838	**22,580**	20,790	**23,767**	20,520	21,489	22,419	23,303	24,360
Other private transfers	3,755	2,881	2,341	**2,050**	2,078	**2,782**	2,051	2,067	2,156	2,418	2,260
Current transfers: debit	201	229	205	**274**	253	**159**	159	159	159	159	159
Capital account	375	376	245	**319**	319	**298**	298	233	219	207	206
Capital transfers: credit	375	376	245	**319**	319	**298**	298	233	219	207	206
Of which: official capital grants	367	375	235	**311**	311	**298**	298	233	219	207	206
Capital transfers: debit	0	0	0	**0**	0	**0**	0	0	0	0	0
Financial account	10,209	14,286	11,933	**10,161**	7,508	**9,754**	8,784	11,622	11,875	12,078	14,492
Direct investment abroad	-86	-10	-8	**-95**	-95	**-49**	-49	-29	-29	-29	-29
Direct investment in Pakistan	2,749	3,471	1,666	**2,022**	1,705	**2,524**	1,951	2,588	3,267	4,726	5,769
Portfolio investment (net)	-239	2,243	-1,273	**2,117**	594	**2,396**	1,896	2,630	2,530	3,660	3,830
Financial derivatives (net)	0	0	0	**0**	0	**0**	0	0	0	0	0
Other investment assets	-1,180	-273	67	**-1,032**	-1,024	**-2,601**	-2,582	-2,355	-1,613	-1,886	-2,075
Monetary authorities	0	0	0	**0**	0	**0**	0	0	0	0	0
General government	-69	-41	-45	**-3**	-3	**0**	0	0	0	0	0
Banks	-313	322	90	**-31**	-31	**-1,170**	-1,170	-800	100	0	0
Other sectors	-798	-554	22	**-997**	-990	**-1,431**	-1,412	-1,555	-1,713	-1,886	-2,075
Other investment liabilities	8,965	8,855	11,481	**7,149**	6,328	**7,485**	7,567	8,788	7,720	5,608	6,997
Monetary authorities	4	-1,548	-5,495	**2,498**	2,498	**1,000**	1,000	0	0	0	0
General government, *of which:*	5,040	4,894	4,285	**7,776**	8,026	**5,595**	5,875	5,192	4,281	172	1,128
Disbursements	9,414	8,507	10,241	**18,734**	18,984	**20,458**	20,458	18,711	16,991	9,738	9,155
Amortization	4,374	4,107	5,981	**10,980**	10,980	**14,863**	14,583	13,519	12,710	9,566	8,026
Banks	1,631	-109	467	**585**	-244	**1,385**	1,334	1,934	1,717	2,506	2,880
Other sectors	2,298	2,522	1,234	**1,286**	1,044	**1,505**	1,358	1,662	1,722	2,930	2,988
Net errors and omissions	102	-920	108	**690**	690	**0**	0	0	0	0	0
Reserves and related items	1,946	6,141	1,544	**-5,096**	-4,012	**-4,072**	-2,512	-4,454	-3,718	-2,525	-4,187
Reserve assets	1,914	6,226	1,920	**-6,701**	-6,113	**-4,297**	-3,643	-4,992	-3,436	-797	-2,468
Use of Fund credit and loans	32	-85	-376	**1,605**	2,101	**225**	1,131	539	-283	-1,729	-1,719
Memorandum items:											
Current account (in percent of GDP)	-4.1	-6.3	-4.9	**-2.2**	-1.7	**-2.0**	-2.4	-2.4	-2.5	-2.7	-2.7
Current account (in percent of GDP; excluding fuel imports)	-0.7	-2.1	0.5	**2.6**	2.2	**2.6**	0.5	0.5	0.4	0.1	0.1
Exports f.o.b. (growth rate, in percent)	0.1	12.6	-2.1	**5.6**	-2.1	**6.9**	4.7	6.7	7.0	8.8	10.0
Exports volume (growth rate, in percent)	-0.7	9.6	-6.0	**11.5**	4.2	**6.9**	6.8	6.6	6.2	7.4	7.6
Remittance (growth rate, in percent)	-2.8	2.9	9.7	**3.4**	-4.8	**5.3**	-1.3	4.7	4.3	3.9	4.5
Remittances (in percent of GDP)	6.4	6.3	7.7	**8.1**	7.9	**8.0**	7.4	7.1	6.8	6.5	6.3
Imports f.o.b. (growth rate, in percent)	17.9	16.2	-6.6	**-8.8**	-16.0	**5.5**	3.0	7.0	6.6	7.8	9.0
Imports volume (growth rate, in percent)	16.5	9.9	-6.3	**-12.8**	-13.9	**6.8**	9.8	5.3	5.7	6.4	6.9
Oil imports (in million US$, cif)	10,607	13,263	15,285	**13,327**	10,346	**13,872**	7,947	8,855	9,560	10,132	10,744
Terms of trade (growth rate, in percent)	-1.5	-2.9	0.8	**-20.9**	-15.9	**0.1**	4.4	-1.7	-0.3	-0.2	0.0
Foreign Direct Investment (in percent of GDP)	0.9	1.1	0.6	**0.7**	0.6	**0.8**	0.7	0.8	1.0	1.3	1.5
External debt (in millions of U.S. dollars)	83,477	95,342	106,348	**114,353**	111,455	**123,374**	121,463	131,598	143,014	147,691	151,067
o/w external public debt	63,752	71,621	76,249	**84,971**	82,954	**92,363**	91,531	98,329	106,567	106,068	103,836
Gross external financing needs (in millions of U.S. dollars) 1/	21,688	30,385	25,363	**27,397**	25,819	**29,669**	29,309	26,967	29,244	32,749	30,096
End-period gross official reserves (millions of U.S. dollars) 2/	16,141	9,789	7,274	**12,568**	11,981	**16,865**	15,624	20,616	24,052	24,848	27,316
(In months of next year's imports of goods and services)	2.9	1.9	1.7	**2.5**	2.7	**3.1**	3.3	4.1	4.4	4.2	4.2
GDP (in millions of U.S. dollars)	304,567	314,588	282,519	**...**	...	**...**	...	...	...	...	...

Sources: Pakistani authorities; and IMF staff estimates and projections.

1/ Defined as current account deficit, plus amortization on medium- and long-term debt, plus short-term debt at end of previous period.

2/ Excluding foreign currency deposits held with the State Bank of Pakistan (cash reserve requirements) and gold.

Table 3b. Pakistan: Gross External Financing Requirements and Sources, 2017/18–2024/25

(In millions of U.S. dollars unless otherwise stated)

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
		Est.			Proj.			
Gross External Financing Requirements (A)	**30,385**	**25,363**	**25,819**	**29,309**	**29,167**	**29,244**	**32,749**	**30,096**
(In percent of GDP)	9.7	9.0	9.8	10.5	9.6	8.8	9.2	7.8
Current account deficit	19,897	13,830	4,505	6,570	7,402	8,376	9,759	10,511
(In percent of GDP)	6.3	4.9	1.7	2.4	2.4	2.5	2.7	2.7
Amortization	10,403	11,157	20,569	21,733	20,748	19,805	21,261	17,867
Public Sector	5,703	6,984	16,480	18,671	16,719	13,710	13,654	8,026
Short-term Borrowing	1,488	1,537	2,846	7,906	7,895	7,940	4,700	4,700
Long-term Borrowing (non-IMF)	4,163	4,444	12,634	10,765	7,824	4,770	7,954	3,326
Bonds	52	1,003	1,000	0	1,000	1,000	1,000	0
Private Sector 1/	4,700	4,173	4,089	3,061	4,028	6,095	7,607	9,841
Short-term Borrowing	4,094	3,474	3,610	3,010	3,832	5,119	6,227	7,869
Long-term Borrowing	606	699	479	52	196	976	1,380	1,972
IMF Repurchases	85	376	745	1,006	1,018	1,063	1,729	1,719
Available Financing (B)	**24,034**	**23,017**	**27,680**	**30,815**	**30,403**	**31,900**	**33,546**	**32,564**
Foreign Direct Investment (net) 2/	3,461	1,658	1,610	1,902	2,560	3,238	4,696	5,740
Disbursement	21,117	21,006	25,060	28,614	27,610	28,443	28,643	26,618
From private creditors	12,130	4,459	8,531	5,768	10,099	14,351	18,017	19,664
Disbursement to Private Sector 3/	7,569	3,784	6,028	3,528	6,859	9,411	13,777	15,424
Disbursement to Public Sector 4/	4,561	675	2,503	2,240	3,240	4,940	4,240	4,240
From official creditors (non-IMF)	8,987	16,547	16,529	22,846	17,511	14,091	10,626	6,955
o/w Project Loans	3,458	2,656	1,948	7,059	6,205	6,440	2,783	2,334
o/w China	1,811	1,987	534	1,100	1,100	1,100	1,100	1,100
o/w Program Loans	261	17	3,450	2,259	1,611	411	755	621
o/w WB	205	0	1,172	1,337	987	387	738	703
o/w ADB	50	0	2,192	900	600	0	0	0
o/w Rollover of short-term debt	5,141	3,957	5,497	11,332	9,773	11,287	12,355	14,257
o/w Public Sector	1,667	1,906	2,038	7,240	4,700	4,700	4,700	4,700
o/w Private Sector	3,474	2,051	3,459	4,092	5,073	6,587	7,655	9,557
Other Net Capital Inflows (net) 5/	-544	353	1,009	298	233	219	207	206
Remaining Financing Needs (C=A-B)	**6,352**	**2,346**	**-1,861**	**-1,506**	**-1,236**	**-2,656**	**-797**	**-2,468**
Borrowing from IMF (D)	**0**	**0**	**2,846**	**2,137**	**1,556**	**780**	**0**	**0**
Reserve Assets (decrease = +) (E=C-D)	6,352	2,346	-4,707	-3,643	-2,792	-3,436	-797	-2,468
Memorandum items								
Gross official reserves (stock, in US$ billions)	9.8	7.3	12.0	15.6	20.6	24.1	24.8	27.3
(In months of prospective imports)	1.9	1.7	2.7	3.3	4.1	4.4	4.2	4.2
(In percent of IMF ARA metric: assuming fixed ER)	29.6	22.0	33.3	39.3	49.1	53.3	53.2	56.0
(In percent of IMF ARA metric: assuming flexible ER)	48.0	34.7	50.8	59.3	75.1	81.7	82.1	86.8
Net FX derivative position (in US$ billions)	6.7	8.1	7.6	5.5	4.0	4.0	4.0	4.0

Sources: State Bank of Pakistan, and Fund staff estimates and projections.

1/ Includes banks and non-bank private sector.

2/ Includes privatization receipts.

3/ Includes equity and debt portfolio inflows, and borrowing by banks and other sectors.

4/ Includes syndicated loans and Euro bonds.

5/ Includes capital account, financial derivatives, errors and omissions.

Table 4a. Pakistan: General Government Budget, 2016/17–2024/25

(In billions of Pakistani rupees)

	2016/17	2017/18	2018/19	2019/20		2020/21		2021/22	2022/23	2023/24	2024/25
			Est.	Pre Covid19	Proj.	Pre Covid19	Proj.	Prog.			
Revenue and grants	4,962	5,265	4,934	7,034	5,979	8,504	7,383	8,817	10,137	11,197	12,277
Revenue	4,937	5,228	4,901	6,975	5,920	8,459	7,338	8,771	10,082	11,135	12,216
Tax revenue	3,969	4,467	4,473	5,656	4,633	7,252	6,188	7,479	8,648	9,555	10,479
Federal	3,647	4,066	4,072	5,143	4,240	6,612	5,633	6,771	7,781	8,561	9,385
FBR revenue	3,361	3,842	3,829	4,803	3,908	6,138	5,101	6,100	6,956	7,723	8,513
Direct taxes	1,343	1,537	1,446	1,924	1,622	2,473	2,100	2,502	2,857	3,181	3,501
Federal excise duty	199	206	234	329	312	422	371	469	549	605	666
Sales tax/VAT	1,323	1,491	1,465	1,852	1,427	2,459	1,972	2,406	2,761	3,069	3,397
Customs duties	496	608	685	697	546	784	658	723	788	868	949
Petroleum surcharge	167	179	206	300	295	429	489	623	773	770	782
Gas surcharge and other	78	30	14	30	30	34	33	37	41	55	71
GIDC	42	15	21	10	8	11	9	10	12	13	19
Provincial	322	401	402	513	393	640	555	708	866	994	1,094
Nontax revenue	967	761	427	1,319	1,287	1,207	1,150	1,293	1,434	1,579	1,738
Federal	888	614	341	1,192	1,165	1,063	1,014	1,139	1,264	1,392	1,532
Provincial	79	147	86	128	123	144	137	154	170	188	206
Grants	25	37	33	59	59	45	45	46	55	62	61
Expenditure (including statistical discrepancy)	6,801	7,488	8,345	10,204	9,836	11,347	10,399	11,448	12,474	13,662	14,753
Current expenditure	5,314	5,982	7,274	8,767	8,883	9,693	9,114	9,909	10,747	11,685	12,577
Federal	3,588	3,918	4,946	6,133	6,215	6,736	6,277	6,720	7,259	7,845	8,371
Interest	1,348	1,500	2,091	2,883	2,706	3,220	2,865	3,026	3,231	3,455	3,571
Domestic	1,220	1,323	1,821	2,549	2,376	2,833	2,508	2,594	2,712	2,875	3,104
Foreign	128	177	270	331	326	376	338	398	479	545	467
IMF budget support	0	0	0	3	5	11	19	34	39	35	0
Other	2,239	2,418	2,855	3,252	3,514	3,527	3,431	3,728	4,068	4,425	4,800
Defense	888	1,030	1,147	1,260	1,197	1,424	1,331	1,486	1,649	1,816	1,998
Other	1,351	1,387	1,708	1,992	2,317	2,103	2,100	2,242	2,419	2,609	2,802
Of which : subsidies	159	114	195	273	605	271	303	290	297	307	308
Of which : grants	462	512	612	742	707	828	771	866	951	1,047	1,152
Provincial	1,726	2,065	2,328	2,634	2,668	2,957	2,837	3,188	3,487	3,840	4,206
Development expenditure and net lending	1,565	1,494	1,049	1,437	953	1,653	1,285	1,539	1,728	1,977	2,176
Public Sector Development Program	1,578	1,456	1,008	1,432	949	1,648	1,280	1,533	1,721	1,970	2,168
Federal	726	576	502	588	488	676	586	711	789	919	1,011
Provincial	852	880	506	844	461	972	694	822	932	1,051	1,157
Net lending	-13	38	41	5	5	5	5	6	6	7	8
Statistical discrepancy ("+" = additional expenditure)	-78	12	22	0	0	0	0	0	0	0	0
Overall Balance (excluding grants)	-1,864	-2,260	-3,445	-3,229	-3,916	-2,888	-3,061	-2,676	-2,392	-2,527	-2,536
Overall Balance (including grants)	-1,839	-2,223	-3,412	-3,170	-3,857	-2,843	-3,016	-2,630	-2,337	-2,465	-2,476
Financing	1,839	2,223	3,412	3,170	3,857	2,843	3,016	2,630	2,337	2,465	2,476
External	560	785	417	1,596	1,794	1,477	1,599	1,503	1,221	523	728
Of which: privatization receipts	4	0	0	0	0	0	0	0	0	0	0
Of which: IMF	0	0	0	372	452	205	358	268	137	0	-27
Domestic	1,279	1,438	2,995	1,574	2,063	1,366	1,417	1,127	1,116	1,942	1,747
Bank	895	1,086	2,230	1,102	1,444	956	992	789	781	1,352	1,231
Nonbank	384	353	765	472	619	410	425	338	335	591	516
Memorandum items:											
Underlying fiscal balance (excl. grants) 1/	-2,023	-2,260	-3,445	-3,229	-3,916	-2,888	-3,061	-2,676	-2,392	-2,527	-2,536
Provincial balance	-16	-17	190	82	-204	547	260	532	751	871	960
Primary balance (excluding grants)	-515	-760	-1,353	-345	-1,210	333	-196	350	838	928	1,035
Primary balance (including grants)	-490	-723	-1,320	-286	-1,151	377	-151	396	893	990	1,096
Total security spending	888	1,030	1,147	1,260	1,197	1,424	1,331	1,486	1,649	1,816	1,998
Energy sector circular debt accumulation	58	450	447	...	...	...	...	...	...	...	...
Energy sector circular debt clearance	19	147	200	200	200	...	...	...	...	...	...
General government debt incl. IMF obligations	21,408	24,804	32,180	35,403	35,802	38,518	38,864	41,568	44,432	46,790	48,442
Domestic debt	14,849	16,416	20,732	22,089	22,577	23,454	23,994	25,122	26,238	28,207	29,927
External debt	6,559	8,388	11,448	13,314	13,225	15,063	14,869	16,446	18,194	18,583	18,514
General government and government guaranteed debt (incl. IMF)	22,345	26,040	33,733	37,263	37,658	40,620	40,927	43,886	47,005	49,586	51,477
Net general government debt (incl. IMF)	19,635	22,875	28,980	32,420	32,819	35,535	35,881	38,585	41,449	43,808	45,459
Nominal GDP (market prices)	31,922	34,619	38,559	44,058	41,939	49,792	46,629	52,405	58,142	64,022	70,448

Sources: Pakistani authorities; and IMF staff estimates and projections.

1/ Excludes one-off transactions, including asset sales.

Table 4b. Pakistan: General Government Budget, 2016/17–2024/25

(In percent of GDP, unless otherwise stated)

	2016/17	2017/18	2018/19	2019/20		2020/21		2021/22	2022/23	2023/24	2024/25
			Est.	Pre Covid19	Proj.	Pre Covid19	Proj.	Proj.			
Revenue and grants	15.5	15.2	12.8	**16.0**	14.3	**17.1**	15.8	16.8	17.4	17.5	17.4
Revenue	15.5	15.1	12.7	**15.8**	14.1	**17.0**	15.7	16.7	17.3	17.4	17.3
Tax revenue	12.4	12.9	11.6	**12.8**	11.0	**14.6**	13.3	14.3	14.9	14.9	14.9
Federal	11.4	11.7	10.6	**11.7**	10.1	**13.3**	12.1	12.9	13.4	13.4	13.3
FBR revenue	10.5	11.1	9.9	**10.9**	9.3	**12.3**	10.9	11.6	12.0	12.1	12.1
Direct taxes	4.2	4.4	3.7	**4.4**	3.9	**5.0**	4.5	4.8	4.9	5.0	5.0
Federal excise duty	0.6	0.6	0.6	**0.7**	0.7	**0.8**	0.8	0.9	0.9	0.9	0.9
Sales tax	4.1	4.3	3.8	**4.2**	3.4	**4.9**	4.2	4.6	4.7	4.8	4.8
Customs duties	1.6	1.8	1.8	**1.6**	1.3	**1.6**	1.4	1.4	1.4	1.4	1.3
Petroleum surcharge / Carbon tax	0.5	0.5	0.5	**0.7**	0.7	**0.9**	1.0	1.2	1.3	1.2	1.1
Gas surcharge and other	0.2	0.1	0.0	**0.1**	0.1	**0.1**	0.1	0.1	0.1	0.1	0.1
GIDC	0.1	0.0	0.1	**0.0**	0.0	**0.0**	0.0	0.0	0.0	0.0	0.0
Provincial	1.0	1.2	1.0	**1.2**	0.9	**1.3**	1.2	1.4	1.5	1.6	1.6
Nontax revenue	3.0	2.2	1.1	**3.0**	3.1	**2.4**	2.5	2.5	2.5	2.5	2.5
Federal	2.8	1.8	0.9	**2.7**	2.8	**2.1**	2.2	2.2	2.2	2.2	2.2
Provincial	0.2	0.4	0.2	**0.3**	0.3	**0.3**	0.3	0.3	0.3	0.3	0.3
Grants	0.1	0.1	0.1	**0.1**	0.1	**0.1**	0.1	0.1	0.1	0.1	0.1
Expenditure (including statistical discrepancy)	21.3	21.6	21.6	**23.2**	23.5	**22.8**	22.3	21.8	21.5	21.3	20.9
Current expenditure	16.6	17.3	18.9	**19.9**	21.2	**19.5**	19.5	18.9	18.5	18.3	17.9
Federal	11.2	11.3	12.8	**13.9**	14.8	**13.5**	13.5	12.8	12.5	12.3	11.9
Interest	4.2	4.3	5.4	**6.5**	6.5	**6.5**	6.1	5.8	5.6	5.4	5.1
Domestic	3.8	3.8	4.7	**5.8**	5.7	**5.7**	5.4	5.0	4.7	4.5	4.4
Foreign	0.4	0.5	0.7	**0.8**	0.8	**0.8**	0.7	0.8	0.8	0.9	0.7
IMF budget support	0.0	0.0	0.0	**0.0**	0.0	**0.0**	0.0	0.1	0.1	0.1	0.0
Other	7.0	7.0	7.4	**7.4**	8.4	**7.1**	7.4	7.1	7.0	6.9	6.8
Defense	2.8	3.0	3.0	**2.9**	2.9	**2.9**	2.9	2.8	2.8	2.8	2.8
Other	4.2	4.0	4.4	**4.5**	5.5	**4.2**	4.5	4.3	4.2	4.1	4.0
Of which: subsidies	0.5	0.3	0.5	**0.6**	1.4	**0.5**	0.6	0.6	0.5	0.5	0.4
Of which: grants	1.4	1.5	1.6	**1.7**	1.7	**1.7**	1.7	1.7	1.6	1.6	1.6
Provincial	5.4	6.0	6.0	**6.0**	6.4	**5.9**	6.1	6.1	6.0	6.0	6.0
Development expenditure and net lending	4.9	4.3	2.7	**3.3**	2.3	**3.3**	2.8	2.9	3.0	3.1	3.1
Public Sector Development Program	4.9	4.2	2.6	**3.3**	2.3	**3.3**	2.7	2.9	3.0	3.1	3.1
Federal	2.3	1.7	1.3	**1.3**	1.2	**1.4**	1.3	1.4	1.4	1.4	1.4
Provincial	2.7	2.5	1.3	**1.9**	1.1	**2.0**	1.5	1.6	1.6	1.6	1.6
Net lending	0.0	0.1	0.1	**0.0**	0.0	**0.0**	0.0	0.0	0.0	0.0	0.0
Statistical discrepancy ("+" = additional expenditure)	-0.2	0.0	0.1	**0.0**	0.0	**0.0**	0.0	0.0	0.0	0.0	0.0
Overall Balance (excluding grants)	-5.8	-6.5	-8.9	**-7.3**	-9.3	**-5.8**	-6.6	-5.1	-4.1	-3.9	-3.6
Overall Balance (including grants)	-5.8	-6.4	-8.8	**-7.2**	-9.2	**-5.7**	-6.5	-5.0	-4.0	-3.9	-3.5
Financing	5.8	6.4	8.8	**7.2**	9.2	**5.7**	6.5	5.0	4.0	3.9	3.5
External	1.8	2.3	1.1	**3.6**	4.3	**3.0**	3.4	2.9	2.1	0.8	1.0
Of which: privatization receipts	0.0	0.0	0.0	**0.0**	0.0	**0.0**	0.0	0.0	0.0	0.0	0.0
Of which: IMF	0.0	0.0	0.0	**0.8**	1.1	**0.4**	0.8	0.5	0.2	0.0	0.0
Domestic	4.0	4.2	7.8	**3.6**	4.9	**2.7**	3.0	2.2	1.9	3.0	2.5
Bank	2.8	3.1	5.8	**2.5**	3.4	**1.9**	2.1	1.5	1.3	2.1	1.7
Nonbank	1.2	1.0	2.0	**1.1**	1.5	**0.8**	0.9	0.6	0.6	0.9	0.7
Memorandum items:											
Underlying fiscal balance (excl. grants; percent of GDP) 1/	-6.3	-6.5	-8.9	**-7.3**	-9.3	**-5.8**	-6.6	-5.1	-4.1	-3.9	-3.6
Provincial balance	0.0	-0.1	0.5	**0.2**	-0.5	**1.1**	0.6	1.0	1.3	1.4	1.4
Primary balance (excluding grants)	-1.6	-2.2	-3.5	**-0.8**	-2.9	**0.7**	-0.4	0.7	1.4	1.4	1.5
Primary balance (including grants)	-1.5	-2.1	-3.4	**-0.7**	-2.7	**0.8**	-0.3	0.8	1.5	1.5	1.6
Total security spending	2.8	3.0	3.0	**2.9**	2.9	**2.9**	2.9	2.8	2.8	2.8	2.8
Energy sector circular debt accumulation	0.2	1.3	1.2	**…**	…	**…**	…	…	…	…	…
Energy sector circular debt clearance	0.1	0.4	0.5	**0.5**	0.5	**…**	…	…	…	…	…
General government debt incl. IMF obligations	67.1	71.6	83.5	**80.4**	85.4	**77.4**	83.3	79.3	76.4	73.1	68.8
Domestic debt	46.5	47.4	53.8	**50.1**	53.8	**47.1**	51.5	47.9	45.1	44.1	42.5
External debt	20.5	24.2	29.7	**30.2**	31.5	**30.3**	31.9	31.4	31.3	29.0	26.3
General government and government guaranteed debt (incl. IMF)	70.0	75.2	87.5	**84.6**	89.8	**81.6**	87.8	83.7	80.8	77.5	73.1
Net general government debt (incl. IMF)	61.5	66.1	75.2	**73.6**	78.3	**71.4**	77.0	73.6	71.3	68.4	64.5
Nominal GDP (market prices, billions of Pakistani rupees)	31,922	34,619	38,559	**44,058**	41,939	**49,792**	46,629	52,405	58,142	64,022	70,448

Sources: Pakistani authorities; and IMF staff estimates and projections.
1/ Excludes one-off transactions, including asset sales.

Table 5. Pakistan: Monetary Survey, 2016/17–2020/21

	2016/17	2017/18	2018/19	2019/20					2020/21				
				Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4	
						Proj.	Pre Covid19	Proj.	Proj.	Proj.	Proj.	Pre Covid19	Proj.
	(In billions of Pakistani rupees, unless otherwise indicated)												
Monetary survey													
Net foreign assets (NFA)	602	-208	-1,507	-1,247	-629	-213	**104**	37	25	73	722	**1,165**	983
Net domestic assets (NDA)	13,979	16,206	19,306	19,150	19,345	19,329	**20,310**	20,685	21,084	22,012	21,815	**21,658**	22,681
Net claims on government, *of which:*	8,956	10,200	12,337	12,476	12,496	12,968	**13,396**	13,984	14,431	14,621	14,618	**14,317**	14,975
Budget support, *of which:*	8,163	9,284	11,546	11,423	11,588	12,200	**12,579**	13,166	13,633	13,844	13,860	**13,459**	14,118
Banks	5,863	5,744	4,857	6,577	5,746	6,358	**6,808**	7,395	8,147	8,358	8,374	**8,257**	8,916
Commodity operations	687	820	756	741	728	768	**817**	817	797	777	757	**857**	857
Credit to nongovernment	6,011	7,034	8,073	8,054	8,287	8,287	**9,000**	8,524	8,532	8,991	9,150	**10,126**	9,532
Private sector 1/	5,213	5,989	6,703	6,686	6,919	6,865	**7,520**	7,044	7,027	7,486	7,585	**8,498**	7,904
Public sector enterprises	799	1,044	1,370	1,368	1,368	1,422	**1,480**	1,480	1,505	1,505	1,564	**1,628**	1,628
Privatization account	-41	-41	-41	-41	-41	-41	**-41**	-41	-41	-41	-41	**-41**	-41
Other items, net	-947	-987	-1,063	-1,339	-1,397	-1,885	**-2,046**	-1,782	-1,838	-1,560	-1,911	**-2,743**	-1,786
Broad money	14,581	15,997	17,798	17,904	18,716	19,116	**20,414**	20,721	21,110	22,085	22,537	**22,823**	23,664
Currency outside scheduled banks	3,911	4,388	4,950	5,239	5,280	5,508	**5,861**	5,949	6,061	6,341	6,471	**6,553**	6,794
Rupee deposits	10,014	10,780	11,739	11,604	12,408	12,555	**13,477**	13,678	13,922	14,617	14,991	**15,154**	15,758
Foreign currency deposits	655	829	1,110	1,061	1,028	1,054	**1,076**	1,094	1,127	1,127	1,076	**1,117**	1,111
State Bank of Pakistan (SBP)													
NFA	829	12	-1,127	-910	-322	167	**484**	416	405	453	1,102	**1,544**	1,363
NDA	4,039	5,472	7,701	7,276	7,061	6,667	**7,237**	7,360	7,151	7,580	6,954	**7,026**	7,557
Net claims on government	2,337	3,600	6,676	5,088	5,936	5,936	**5,918**	5,918	5,631	5,606	5,613	**5,337**	5,337
Of which: budget support	2,300	3,539	6,689	4,846	5,842	5,842	**5,771**	5,771	5,486	5,486	5,486	**5,202**	5,202
Claims on nongovernment	-9	-8	12	12	13	13	**13**	13	11	9	7	**5**	5
Claims on scheduled banks	500	570	683	664	765	865	**985**	985	1,015	1,015	1,015	**985**	1,015
Privatization account	-41	-41	-41	-41	-41	-41	**-41**	-41	-41	-41	-41	**-41**	-41
Other items, net	1,251	1,350	371	1,552	388	-107	**362**	485	536	991	361	**741**	1,241
Reserve money, *of which:*	4,868	5,485	6,573	6,366	6,739	6,833	**7,721**	7,776	7,557	8,033	8,057	**8,570**	8,919
Banks' reserves	669	814	1,246	806	1,162	1,041	**1,169**	1,177	1,114	1,184	1,187	**1,263**	1,315
Currency	4,176	4,644	5,294	5,525	5,543	5,792	**6,552**	6,599	6,443	6,849	6,869	**7,307**	7,605
	(Annual percentage change, unless otherwise indicated)												
Broad money	13.7	9.7	11.3	11.8	12.9	13.7	**14.7**	16.4	17.9	18.0	17.9	**11.8**	14.2
NFA, banking system (in percent of broad money) 2/	-3.2	-5.6	-8.1	-5.6	1.6	3.6	**9.1**	8.7	7.1	3.8	4.9	**5.2**	4.6
NDA, banking system (in percent of broad money) 2/	16.9	15.3	19.4	17.3	11.3	10.1	**5.6**	7.7	10.8	14.2	13.0	**6.6**	9.6
Budgetary support (in percent of broad money) 2/	8.2	7.7	14.1	12.8	10.4	12.7	**5.8**	9.1	12.3	12.1	8.7	**4.3**	4.6
Budgetary support	14.7	13.7	24.4	21.8	17.5	21.1	**8.9**	14.0	19.4	19.5	13.6	**7.0**	7.2
Private credit 1/	16.6	14.9	11.9	9.3	5.4	4.0	**12.2**	5.1	5.1	8.2	10.5	**13.0**	12.2
Currency	17.3	12.2	12.8	19.7	16.5	16.3	**18.4**	20.2	15.7	20.1	17.5	**11.8**	14.2
Reserve money	22.5	12.7	19.9	16.7	19.2	17.5	**17.5**	18.3	18.7	19.2	17.9	**11.0**	14.7
Memorandum items:													
Velocity	2.3	2.3	2.3	2.3	2.3	2.2	**2.3**	2.2	2.2	2.1	2.1	**2.3**	2.1
Money multiplier	3.0	2.9	2.7	2.8	2.8	2.8	**2.6**	2.7	2.8	2.7	2.8	**2.7**	2.7
Currency to broad money ratio (percent)	26.8	27.4	27.8	29.3	28.2	28.8	**28.7**	28.7	28.7	28.7	28.7	**28.7**	28.7
Currency to deposit ratio (percent)	36.7	37.8	38.5	41.4	39.3	40.5	**40.3**	40.3	40.3	40.3	40.3	**40.3**	40.3
Foreign currency to deposit ratio (percent)	6.1	7.1	8.6	8.4	7.7	7.7	**7.4**	7.4	7.5	7.2	6.7	**6.9**	6.6
Reserves to deposit ratio (percent)	6.3	7.0	9.7	6.4	8.6	7.7	**8.0**	8.0	7.4	7.5	7.4	**7.8**	7.8
Budget bank financing (change from the beginning of the fiscal year; in Rs billions), *of which:*	1,046	1,121	2,262	-123	42	654	**1,033**	1,620	467	678	694	**881**	952
By commercial banks	158	-119	-887	1,720	889	1,501	**1,951**	2,538	-2,719	963	979	**1,449**	1,521
By SBP 3/	888	1,240	3,150	-1,843	-847	-847	**-918**	-918	3,186	-285	-285	**-569**	-569
NFA of SBP (change from beginning of the year; in billions of U.S. dollars) 4/	-2.0	-7.8	-7.3	1.4	5.2	8.3	**10.2**	9.8	-0.1	0.1	4.3	**6.2**	5.6
NFA of commercial banks (millions of U.S. dollars)	-2,163	-1,850	-2,437	-2,157	-1,981	-2,391	**-2,344**	-2,302	-2,235	-2,235	-2,341	**-2,259**	-2,267
NDA of commercial banks (billions of Pakistani rupees)	9,940	10,733	11,605	11,875	12,284	12,662	**13,073**	13,325	13,933	14,432	14,861	**14,632**	15,124

Sources: Pakistani authorities; and IMF staff estimates and projections.

1/ Items pertaining to Islamic Financing previously reported under "Other assets" have been reclassified as "Credit to private sector" beginning March 2016.

2/ Denominator is the stock of broad (reserve) money at the end of the previous year.

3/ Includes use of government deposits.

4/ Includes valuation adjustments.

Table 6. Pakistan: Financial Soundness Indicators for the Banking System, 2013–19

	Dec. 2013	Dec. 2014	Dec. 2015	Dec. 2016	Dec. 2017	Dec. 2018	Mar. 2019	Jun. 2019	Sep. 2019	Dec. 2019
Capital adequacy										
Regulatory capital to risk-weighted assets 1/	14.9	17.1	17.3	16.2	15.8	16.2	16.1	16.1	17.1	17.0
Tier I capital to risk-weighted assets	12.6	14.3	14.4	13.0	12.9	13.2	13.3	13.3	14.2	14.0
Capital to total assets	9.0	10.0	8.4	7.8	7.1	7.1	7.6	7.0	7.0	7.2
Asset composition and quality										
Nonperforming loans (NPLs) to gross loans	13.3	12.3	11.4	10.1	8.4	8.0	8.2	8.8	8.8	8.6
Provisions to NPLs	78.4	79.8	84.9	85.0	87.2	83.8	84.1	78.4	80.5	81.4
Net NPLs to total eligible capital	14.7	10.1	7.7	7.3	5.8	7.8	7.8	11.5	9.8	8.9
Earnings and profitability										
Return on assets (after tax)	1.1	1.5	1.5	1.3	0.9	0.8	0.8	0.8	0.8	0.8
Return on equity (after tax)	12.4	16.1	15.6	14.4	11.5	10.7	10.8	11.4	10.8	11.3
Net interest income to gross income	70.4	71.3	70.4	71.2	72.7	75.4	77.7	78.4	79.4	79.3
Noninterest expenses to gross income	57.2	53.3	47.8	53.1	57.1	60.2	55.8	57.1	57.4	57.6
Liquidity										
Liquid assets to total assets	48.6	49.2	53.8	53.7	54.0	48.7	45.3	48.0	50.8	49.7
Liquid assets to total deposits	61.3	64.5	73.3	72.1	76.1	67.2	59.8	65.3	73.5	68.4
Loans/Deposits	49.5	48.2	46.4	46.6	50.1	55.8	55.6	53.2	53.6	51.7

Source: State Bank of Pakistan.

1/ Starting Dec. 2015 and in line with Basel requirements, the authorities used regulatory capital instead of balance sheet capital for the calculation.

Table 7. Pakistan: Indicators of Fund Credit, 2015–27

(In millions of SDR, unless otherwise specified; calendar year basis)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
						Projections 1/							
						Projected level of credit outstanding based on existing and prospective drawings							
Total	3,600.0	4,393.0	4,393.0	4,243.0	4,867.0	6,176.5	6,564.3	6,982.2	5,996.1	4,732.2	3,781.5	3,138.0	2,426.7
Of which:													
ECF, SBA, and ENDA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Extended Fund Facility and Rapid Financing Instrument	3,600.0	4,393.0	4,393.0	4,243.0	4,867.0	6,176.5	6,564.3	6,982.2	5,996.1	4,732.2	3,781.5	3,138.0	2,426.7
In percent of quota	348.3	216.3	216.3	208.9	239.6	304.1	323.2	343.8	295.2	233.0	186.2	154.5	119.5
In percent of end-period gross official reserves	31.4	32.4	44.1	81.6	59.2	73.4	54.4	42.7	33.2	25.3	18.8	14.5	10.4
As a share of external debt	7.3	7.8	7.0	5.9	6.0	7.5	7.3	7.1	5.7	4.3	3.2	2.5	1.8
						Projected debt service to the Fund based on existing and prospective drawings							
Total	338.1	51.1	75.0	248.0	532.7	780.7	936.1	924.7	1,197.5	1,419.2	1,048.1	711.0	766.6
Of which:													
Principal	303.0	0.0	0.0	150.0	420.0	660.0	732.2	702.2	986.0	1,263.9	950.7	643.5	711.3
Interest and charges	35.1	51.1	75.0	98.0	112.7	120.7	204.0	222.5	211.5	155.3	97.3	67.5	55.3
SBA and ENDA Principal	303.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Extended Fund Facility Principal	0.0	0.0	0.0	150.0	120.0	660.0	732.2	702.2	732.2	756.2	696.8	643.5	711.3
Rapid Financing Instrument Principal	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	253.9	507.8	253.9	0.0	0.0
In percent of quota	32.7	2.5	3.7	12.2	26.2	38.4	46.1	45.5	59.0	69.9	51.6	35.0	37.7
In percent of end-period gross official reserves	2.9	0.4	0.8	4.8	6.5	9.3	7.8	5.6	6.6	7.6	5.2	3.3	3.3
As a share of total external debt service	8.0	1.1	1.2	3.8	5.4	6.1	6.8	6.0	9.2	10.2	7.0	4.4	4.4
Memorandum items													
Quota (millions of SDRs)	1,034	2,031	2,031	2,031	2,031	2,031	2,031	2,031	2,031	2,031	2,031	2,031	2,031
Total External Debt (percent of CY GDP)	24.9	26.0	28.9	33.2	40.6	42.1	43.1	43.0	42.7	41.4	41.0	40.6	40.2
Total External Debt Service (millions of U.S. dollars)	5,881	6,179	8,818	8,941	13,538	17,720	19,073	21,345	18,160	19,484	20,993	22,618	24,369

Source: IMF staff projections.

1/ Using the GRA rate of charge = 1.054 as of March 26, 2020 for projected charges.

Table 8. Pakistan: Selected Vulnerabilities Indicators, 2016/17–2024/25

	2016/17	2017/18	2018/19	2019/20		2020/21		2021/22	2022/23	2023/24	2024/25
			Est.	Pre Covid19	Proj.	Pre Covid19	Proj.	Proj.			
Key economic and market indicators											
Real GDP growth (factor cost, in percent)	5.2	5.5	3.3	**2.4**	-1.5	**3.0**	2.0	4.0	4.5	5.0	5.0
CPI inflation (period average, in percent)	4.1	3.9	7.3	**11.8**	11.3	**8.3**	8.0	7.0	6.0	5.0	5.0
Emerging market bond index (EMBI) secondary market spread (basis points, end of period)	317	582	420	**...**	...	**...**	...	...	...	...	...
Exchange rate PRs/US$ (end of period)	104.9	119.4	155.9	**...**	...	**...**	...	...	...	...	...
External sector											
Current account balance (percent of GDP)	-4.1	-6.3	-4.9	**-2.2**	-1.7	**-2.0**	-2.4	-2.4	-2.5	-2.7	-2.7
Net FDI inflows (percent of GDP)	0.9	1.1	0.6	**0.7**	0.6	**0.8**	0.7	0.8	1.0	1.3	1.5
Exports (percentage change of U.S. dollar value; GNFS)	0.5	9.0	-1.7	**7.2**	-4.6	**7.4**	5.4	6.8	7.3	8.9	10.0
Gross international reserves (GIR) in billions of U.S. dollars	16.1	9.8	7.3	**12.6**	12.0	**16.9**	15.6	20.6	24.1	24.8	27.3
GIR in percent of ST debt at remaining maturity (RM) 1/	161.1	87.9	40.8	**55.8**	53.9	**61.3**	58.0	67.8	87.2	122.3	153.5
GIR in percent of ST debt at RM and banks' foreign exchange (FX) deposits 1/	99.2	54.1	29.2	**43.1**	41.5	**49.4**	46.6	55.7	69.1	88.5	104.4
Total gross external debt (ED) in percent of GDP, *of which:*	27.4	30.3	37.6	**41.0**	42.2	**41.3**	43.6	43.2	43.2	41.4	39.3
ST external debt (original maturity, in percent of total ED)	6.7	6.3	5.3	**7.8**	6.9	**8.0**	7.1	5.9	6.1	7.1	8.1
ED of domestic private sector (in percent of total ED)	25.0	29.2	28.3	**27.7**	28.3	**29.1**	29.2	30.4	31.3	34.8	38.1
ED to foreign official sector (in percent of total ED)	75.0	70.8	71.7	**72.3**	71.7	**70.9**	70.8	69.6	68.7	65.2	61.9
Total gross external debt in percent of exports	303.2	317.6	360.6	**361.8**	396.1	**363.5**	409.7	415.4	420.9	399.2	371.3
Gross external financing requirement (in billions of U.S. dollars) 2/	21.7	28.8	26.6	**22.1**	20.5	**22.9**	22.0	21.6	23.9	27.5	27.9
Public sector 3/											
Overall balance (including grants)	-5.8	-6.4	-8.8	**-7.2**	-9.2	**-5.7**	-6.5	-5.0	-4.0	-3.9	-3.5
Primary balance (including grants)	-1.5	-2.1	-3.4	**-0.7**	-2.7	**0.8**	-0.3	0.8	1.5	1.5	1.6
Debt-stabilizing primary balance 4/	-1.9	1.7	4.1	**-2.9**	1.2	**-1.8**	-2.0	-2.6	-1.7	-0.9	-1.1
Gross PS financing requirement 5/	29.4	31.7	36.2	**25.9**	25.3	**23.0**	21.7	19.0	18.6	15.9	5.7
General government and government guaranteed debt (incl. IMF)	70.0	75.2	87.5	**84.6**	89.8	**81.6**	87.8	83.7	80.8	77.5	73.1
General government debt incl. IMF obligations	67.1	71.6	83.5	**80.4**	85.4	**77.4**	83.3	79.3	76.4	73.1	68.8
Net general government debt (incl. IMF) 6/	61.5	66.1	75.2	**73.6**	78.3	**71.4**	77.0	73.6	71.3	68.4	64.5
Financial sector 7/											
Capital adequacy ratio (in percent)	15.6	15.9	16.1	**...**	...	**...**	...	...	...	...	...
Nonperforming loans (NPLs) in percent of total loans	9.3	7.9	8.8	**...**	...	**...**	...	...	...	...	...
Provisions in percent of NPLs	83.7	87.1	78.4	**...**	...	**...**	...	...	...	...	...
Return on assets (after tax, in percent)	1.1	0.8	0.8	**...**	...	**...**	...	...	...	...	...
Return on equity (after tax, in percent)	13.1	11.0	11.4	**...**	...	**...**	...	...	...	...	...
FX deposits held by residents (in percent of total deposits)	6.1	7.1	8.6	**...**	...	**...**	...	...	...	...	...
Government debt held by FS (percent of total FS assets)	61.4	63.8	69.3	**...**	...	**...**	...	...	...	...	...
Credit to private sector (percent change)	16.6	14.9	11.9	**...**	...	**...**	...	...	...	...	...
Memorandum item:											
Nominal GDP (in billions of U.S. dollars)	304.6	314.6	282.5	**...**	...	**...**	...	...	...	...	...

Sources: Pakistani authorities; and IMF staff estimates and projections.

1/ Debt at remaining maturity is defined as maturing short-, medium-, and long-term external official debt.

2/ Current account deficit plus amortization of external debt.

3/ Public sector covers general (consolidated) government.

4/ Based on the end of period debt stock in year t-1, and the baseline assumptions for the relevant variables (i.e., growth, interest rates, inflation, exchange rates) in year t.

5/ Overall balance plus debt amortization.

6/ Net debt is defined as gross debt minus government deposits with the banking system.

7/ Financial sector includes all commercial and specialized banks; for government debt also includes nonbanks, but excludes State Bank of Pakistan.

Table 9. Pakistan: Public External Liabilities and Repayment Schedule 1/

(In millions of U.S. dollars)

	Outstanding debt	Amortization over the EFF period				
		FY2019/20	FY2020/21	FY2021/22	FY2022/23 (through Q1)	Total
Paris Club	**10,924**	**709**	**788**	**838**	**43**	**2,378**
Austria	23	3	4	4	0	11
Belgium	16	2	3	3	0	8
Canada	395	15	23	24	0	62
Finland	3	0	1	1	0	2
France	1,572	132	156	169	16	473
Germany	1,300	74	83	86	0	242
Italy	163	3	5	5	0	13
Japan	5,534	311	326	337	27	1,002
Korea	424	38	46	52	1	136
The Netherlands	81	5	5	5	0	14
Norway	10	1	2	2	0	5
Russia	68	10	11	13	0	33
Spain	61	4	5	5	0	14
Sweden	86	12	14	16	0	42
Switzerland	75	8	9	11	0	28
United Kindom	5	1	1	1	0	2
United States	1,108	90	96	105	0	291
Non-Paris Club Bilateral	**25,015**	**7,902**	**7,023**	**1,881**	**375**	**17,181**
China	15,519	3,353	3,481	700	365	7,899
Kuwait	159	13	14	15	8	49
Libya	4	0	0	0	0	1
Saudi Arabia 2/	6,805	3,029	2,523	1,165	0	6,717
UAE	2,028	1,006	1,005	2	2	2,015
Qatar	500	500	0	0	0	500
Multilateral	**30,313**	**2,314**	**1,640**	**1,726**	**603**	**6,283**
Islamic Develoment Bank 3/	1,901	870	91	92	25	1,079
ADB	12,509	825	886	875	282	2,867
AIIB	73	0	0	7	4	11
ECO Trade Bank	42	41	1	0	0	42
IBRD	1,422	102	123	135	58	419
IDA	14,013	459	520	599	230	1,809
Int'l Fund for Agri. Development	266	8	9	10	2	28
Nordic Development Fund	7	1	1	1	0	2
OPEC FUND	80	8	8	8	1	25
EIB	0	0	0	0	0	0
Commercial	**9,597**	**4,164**	**3,410**	**4,491**	**0**	**12,065**
China	6,736	2,200	2,500	4,391	0	9,091
Others	2,861	1,964	910	100	0	2,974
Bonds	**6,855**	**1,000**	**0**	**1,000**	**0**	**2,000**
IMF	**6,373**	**744**	**1,006**	**1,018**	**259**	**3,026**
Total	**89,078**	**16,833**	**13,866**	**10,955**	**1,279**	**42,932**

Sources: The Pakistani authorities; and the IMF calculations.

1/ Estimated as of end-August 2019; IMF as of end-September 2019.

2/ The debt to Saudi Arabia includes agreed inflows from oil facilities scheduled to be disbursed over FY2020.

3/ Includes short-term oil facilities of $0.6 billion.

Annex I. Public and External Debt Sustainability

Public debt continues to be judged as sustainable, despite the Covid-19 shock, as this should be transitory, and the authorities remain committed to the fiscal consolidation path imbedded in the EFF. In addition, major bilateral creditors' firm commitment to maintain their exposure, as demonstrated by recent rollovers, will continue to strengthen underlying debt sustainability and mitigate the risks from high gross financing needs. Debt level is projected to be somewhat higher than at the first review of the EFF. However, public debt of GDP is projected to continue to firmly decline in the medium-term, assisted by fiscal consolidation, the flexible exchange rate, and a reduction in precautionary government cash deposits. Gross financing needs are also projected to steadily decline on account of better cash and debt management.

1. **Public debt is higher than projected than at the time of program approval and the first review but continues to be on a clear downward path**. Total debt is projected to decline from 90 percent in FY 2020 to 73 percent of GDP at end-FY 2025. The higher fiscal deficit in FY 2020, smaller fiscal surpluses going forward, and weaker economic growth would contribute to higher debt to GDP than previously projected. Nonetheless, given the temporary nature of the ongoing shock, debt to GDP is projected to remain on a clear downward path, assisted by continuing fiscal consolidation, a flexible exchange rate, and a reduction in precautionary government cash deposits. Gross financing needs are projected to decline to 19.5 percent of GDP by FY 2025.

2. **The maturity structure of debt is expected to improve, thus lowering gross financing needs (GFN)**. The successful reprofiling of government debt held by the SBP in June 2019 has supported debt sustainability. With SBP financing no longer available, the government has been successful in securing ample bank financing, including at longer maturities and with some foreign participation. Further efforts that will lower gross financing needs include: (i) better cash flow management through a treasury single account; (ii) integration of the three borrowing units in the MOF by having domestic, private sector external, and multilateral borrowing units under one single operation; (iii) lengthening of maturities in the domestic market by accepting market rates while keeping an eye on overall cost of financing; and (iv) developing the Islamic based lending, since there is a growing Islamic banking but few Islamic compliant government instruments.

3. **Contingent liabilities from loss-making SOEs, to the extent not covered by government guarantees, continue to represent additional fiscal risks** (about 2 percent of GDP). Staff aims to strengthen the transparency related to other types of contingent liabilities, such as in the context of power generation projects.

4. **Bilateral creditors have maintained their exposure in line with debt sustainability objectives of the EFF**. China has maintained their exposure by renewing US$2 billion bilateral deposits in March. Saudi Arabia also refinanced US$3 billion BoP support loans that matured in November–January (US$3 billion), while UAE rolled over US$1 billion BoP support loans in March. The oil facility with Saudi Arabia (worth US$3.2 billion) was activated in August 2019 and has also been providing support to the balance of payments. Official lenders are also advancing their disbursement plans. The ADB approved in December 2019 a new Special Policy-Based Loan of US$1 billion, which further strengthened the BoP.

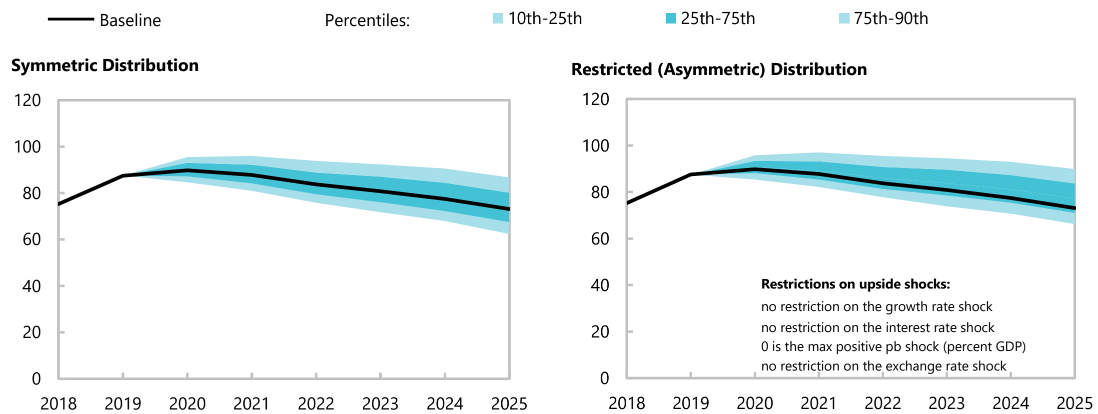
Figure 1. Pakistan: Public DSA Risk Assessment

Heat Map

Debt level [1/]	Real GDP Growth Shock	Primary Balance Shock	Real Interest Rate Shock	Exchange Rate Shock	Contingent Liability shock
Gross financing needs [2/]	Real GDP Growth Shock	Primary Balance Shock	Real Interest Rate Shock	Exchange Rate Shock	Contingent Liability Shock
Debt profile [3/]	Market Perception	External Financing Requirements	Change in the Share of Short-Term Debt	Public Debt Held by Non-Residents	Foreign Currency Debt

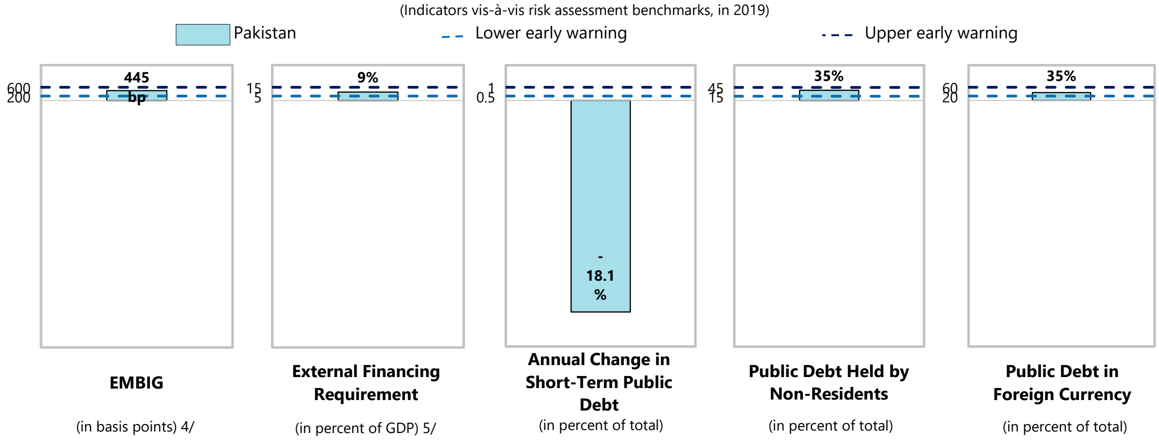
Evolution of Predictive Densities of Gross Nominal Public Debt

(in percent of GDP)



Debt Profile Vulnerabilities

(Indicators vis-à-vis risk assessment benchmarks, in 2019)



Source: IMF staff.

1/ The cell is highlighted in green if debt burden benchmark of 70% is not exceeded under the specific shock or baseline, yellow if exceeded under specific shock but not baseline, red if benchmark is exceeded under baseline, white if stress test is not relevant.

2/ The cell is highlighted in green if gross financing needs benchmark of 15% is not exceeded under the specific shock or baseline, yellow if exceeded under specific shock but not baseline, red if benchmark is exceeded under baseline, white if stress test is not relevant.

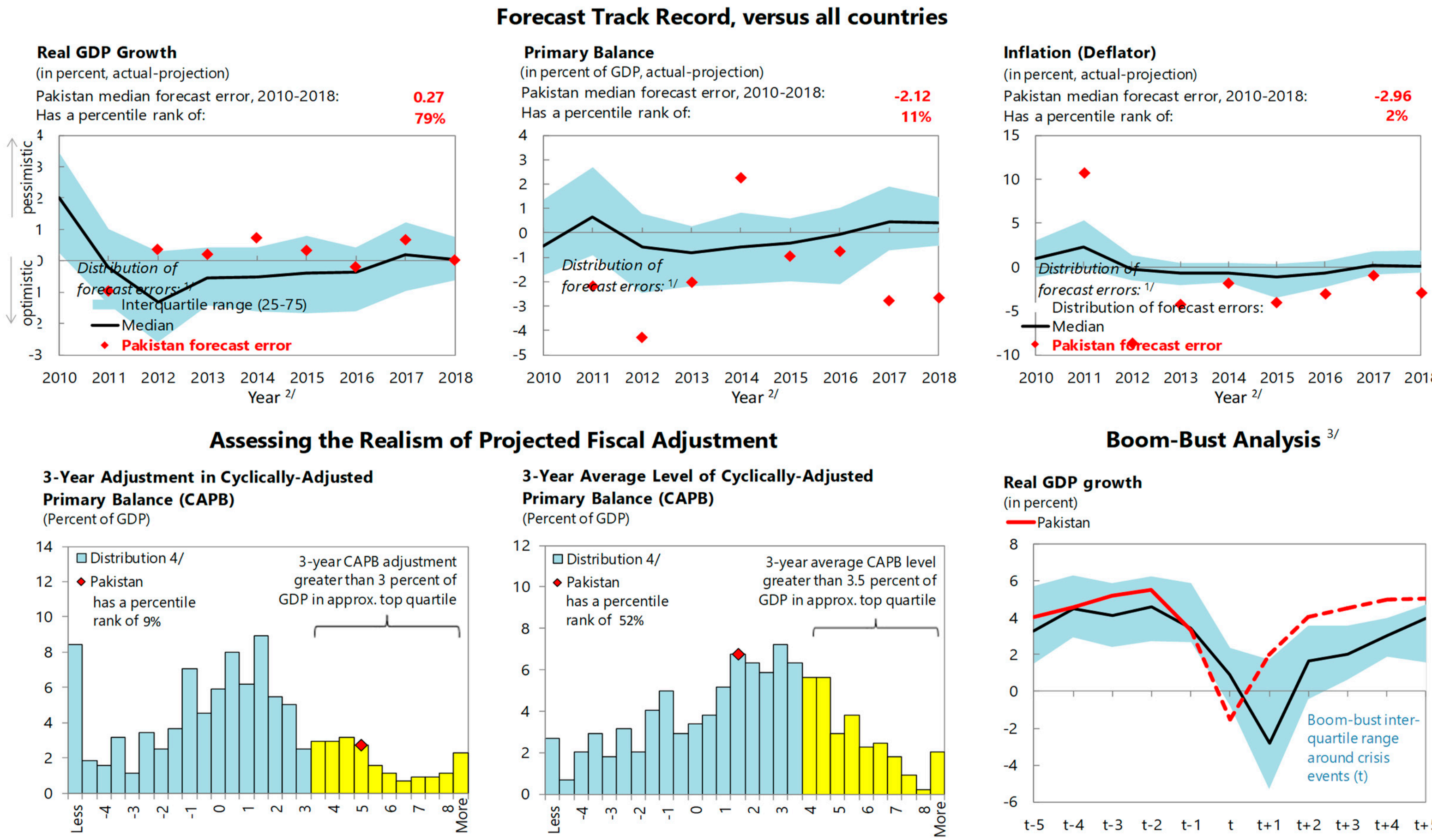
3/ The cell is highlighted in green if country value is less than the lower risk-assessment benchmark, red if country value exceeds the upper risk-assessment benchmark, yellow if country value is between the lower and upper risk-assessment benchmarks. If data are unavailable or indicator is not relevant, cell is white.
Lower and upper risk-assessment benchmarks are:

200 and 600 basis points for bond spreads; 5 and 15 percent of GDP for external financing requirement; 0.5 and 1 percent for change in the share of short-term debt; 15 and 45 percent for the public debt held by non-residents; and 20 and 60 percent for the share of foreign-currency denominated debt.

4/ EMBIG, an average over the last 3 months, 26-Dec-19 through 25-Mar-20.

5/ External financing requirement is defined as the sum of current account deficit, amortization of medium and long-term total external debt, and short-term total external debt at the end of previous period.

Figure 2. Pakistan: Public DSA – Realism of Baseline Assumptions



Source : IMF Staff.

1/ Plotted distribution includes all countries, percentile rank refers to all countries.

2/ Projections made in the spring WEO vintage of the preceding year.

3/ Pakistan has had a positive output gap for 3 consecutive years, 2017-2019. For Pakistan, t corresponds to 2020; for the distribution, t corresponds to the first year of the crisis.

4/ Data cover annual obervations from 1990 to 2011 for advanced and emerging economies with debt greater than 60 percent of GDP. Percent of sample on vertical axis.

Figure 3. Pakistan: Public Sector Debt Sustainability Analysis (DSA)

(In percent of GDP unless otherwise indicated)

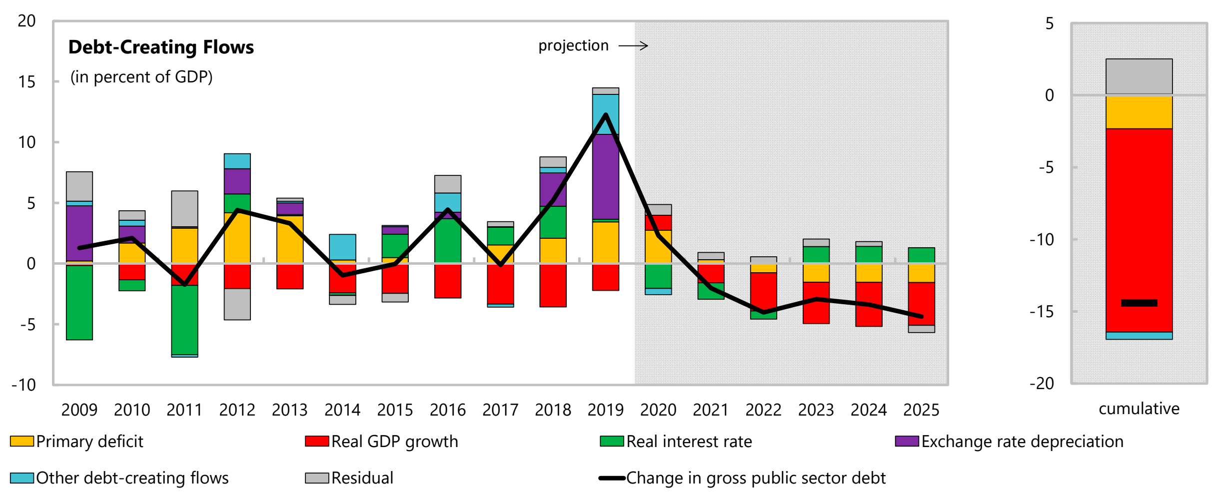
Debt, Economic and Market Indicators [1/]

	Actual			Projections					
	2009-2017 [2/]	2018	2019	2020	2021	2022	2023	2024	2025
Nominal gross public debt	64.4	75.2	87.5	89.8	87.8	83.7	80.8	77.4	73.1
Of which: guarantees	2.1	3.6	4.0	4.4	4.4	4.4	4.4	4.4	4.3
Public gross financing needs	28	33.7	40.0	32.4	29.2	24.1	24.0	21.2	19.5
Real GDP growth (in percent)	3.6	5.5	3.3	-1.5	2.0	4.0	4.5	5.0	5.0
Inflation (GDP deflator, in percent)	9.3	2.8	7.8	10.5	9.0	8.0	6.1	4.9	4.8
Nominal GDP growth (in percent)	13.1	8.4	11.4	8.8	11.2	12.4	10.9	10.1	10.0
Effective interest rate (in percent) [4/]	8.2	7.0	8.4	7.8	7.5	7.5	8.3	7.1	6.9

As of March 25, 2020		
Sovereign Spreads		
EMBIG (bp) 3/		921
5Y CDS (bp)		695
Ratings	Foreign	Local
Moody's	B3	n.a.
S&Ps	B-	n.a.
Fitch	B-	n.a.

Contribution to Changes in Public Debt

	Actual			Projections							
	2009-2017	2018	2019	2020	2021	2022	2023	2024	2025	cumulative	debt-stabilizing primary balance [10/]
Change in gross public sector debt	1.4	5.2	12.3	2.3	-2.0	-4.0	-2.9	-3.4	-4.4	-14.4	
Identified debt-creating flows	0.9	4.4	11.7	1.4	-2.6	-4.6	-3.5	-3.8	-3.8	-16.9	
Primary deficit	1.7	2.1	3.4	2.7	0.3	-0.8	-1.5	-1.5	-1.6	-2.3	-2.2
Primary (noninterest) revenue and grants	14.3	15.2	12.8	14.3	15.8	16.8	17.4	17.5	17.4	99.3	
Primary (noninterest) expenditure	16.0	17.3	16.2	17.0	16.2	16.1	15.9	15.9	15.9	96.9	
Automatic debt dynamics [5/]	-1.4	1.8	5.0	-0.8	-2.9	-3.8	-2.0	-2.2	-2.2	-14.0	
Interest rate/growth differential [6/]	-2.5	-0.9	-2.0	-0.8	-2.9	-3.8	-2.0	-2.2	-2.2	-14.0	
Of which: real interest rate	-0.5	2.6	0.2	-2.0	-1.4	-0.7	1.4	1.4	1.3	0.1	
Of which: real GDP growth	-2.1	-3.6	-2.2	1.2	-1.6	-3.2	-3.4	-3.6	-3.5	-14.1	
Exchange rate depreciation [7/]	1.1	2.8	7.0	…	…	…	…	…	…	…	
Other identified debt-creating flows [8/]	0.6	0.4	3.3	-0.5	0.0	0.0	0.0	0.0	0.0	-0.5	
Residual, including asset changes [9/]	0.5	0.9	0.5	0.9	0.6	0.6	0.6	0.4	-0.6	2.4	



Source: IMF staff.

1/ Public sector is defined as general government and includes public guarantees, defined as guarantees to PSEs.

2/ Based on available data.

3/ EMBIG.

4/ Defined as interest payments divided by debt stock (excluding guarantees) at the end of previous year.

5/ Derived as [(r - π(1+g) - g + ae(1+r)]/(1+g+π+gπ)) times previous period debt ratio, with r = interest rate; π = growth rate of GDP deflator; g = real GDP growth rate; a = share of foreign-currency denominated debt; and e = nominal exchange rate depreciation (measured by increase in local currency value of U.S. dollar).

6/ The real interest rate contribution is derived from the numerator in footnote 5 as r - π (1+g) and the real growth contribution as -g.

7/ The exchange rate contribution is derived from the numerator in footnote 5 as ae(1+r).

8/ In 2019 and 2020, "other identifed debt creating flow" is driven by the accumulation and drawdown of cash buffers, respectively.

9/ Includes changes in the stock of guarantees, asset changes, and interest revenues (if any). For projections, includes exchange rate changes during the projection period.

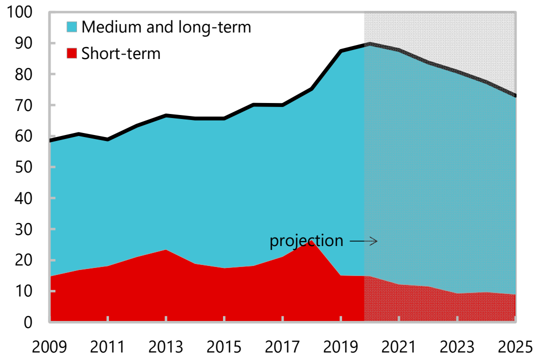
10/ Assumes that key variables (real GDP growth, real interest rate, and other identified debt-creating flows) remain at the level of the last projection year.

Figure 4. Pakistan: Public DSA - Composition of Public Debt and Alternative Scenarios

Composition of Public Debt

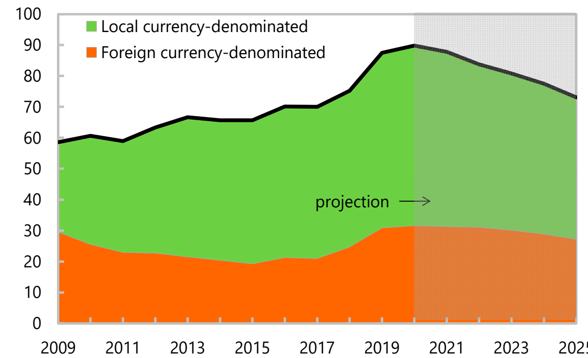
By Maturity

(in percent of GDP)



By Currency

(in percent of GDP)

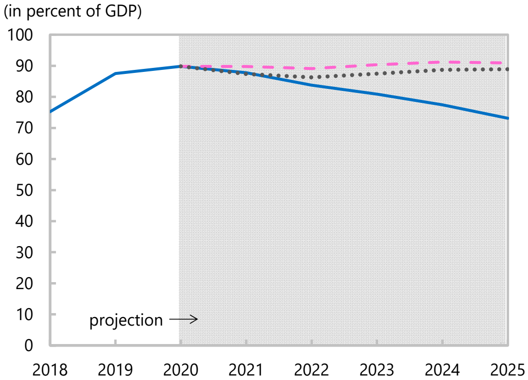


Alternative Scenarios

Baseline Historical Constant Primary Balance

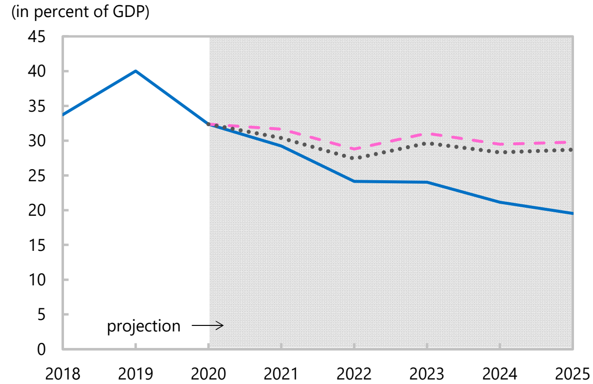
Gross Nominal Public Debt

(in percent of GDP)



Public Gross Financing Needs

(in percent of GDP)



Underlying Assumptions

(in percent)

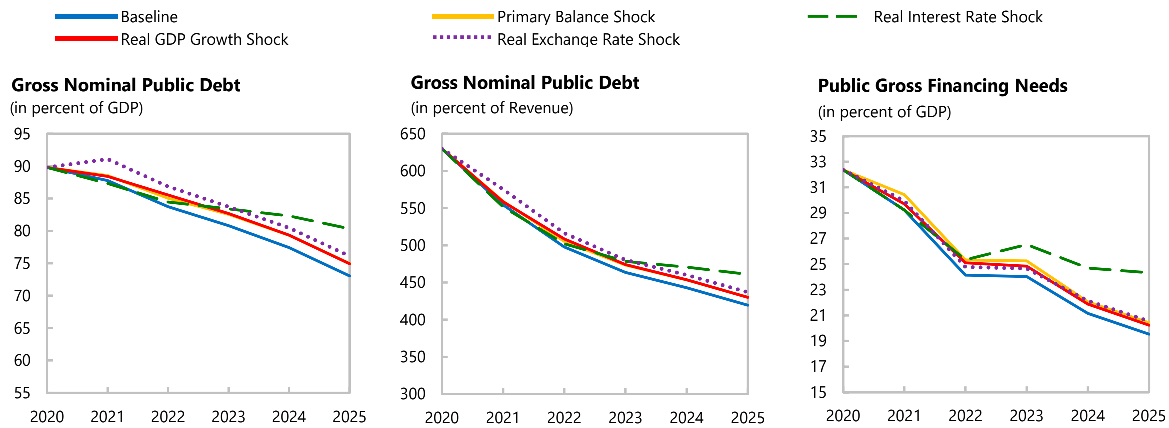
Baseline Scenario	2020	2021	2022	2023	2024	2025
Real GDP growth	-1.5	2.0	4.0	4.5	5.0	5.0
Inflation	10.5	9.0	8.0	6.1	4.9	4.8
Primary Balance	-2.7	-0.3	0.8	1.5	1.5	1.6
Effective interest rate	7.8	7.5	7.5	8.3	7.1	6.9
Constant Primary Balance Scenario						
Real GDP growth	-1.5	2.0	4.0	4.5	5.0	5.0
Inflation	10.5	9.0	8.0	6.1	4.9	4.8
Primary Balance	-2.7	-2.7	-2.7	-2.7	-2.7	-2.7
Effective interest rate	7.8	7.5	7.5	8.8	7.2	6.9

Historical Scenario	2020	2021	2022	2023	2024	2025
Real GDP growth	-1.5	4.0	4.0	4.0	4.0	4.0
Inflation	10.5	9.0	8.0	6.1	4.9	4.8
Primary Balance	-2.7	-2.1	-2.1	-2.1	-2.1	-2.1
Effective interest rate	7.8	7.5	7.7	9.1	7.5	6.3

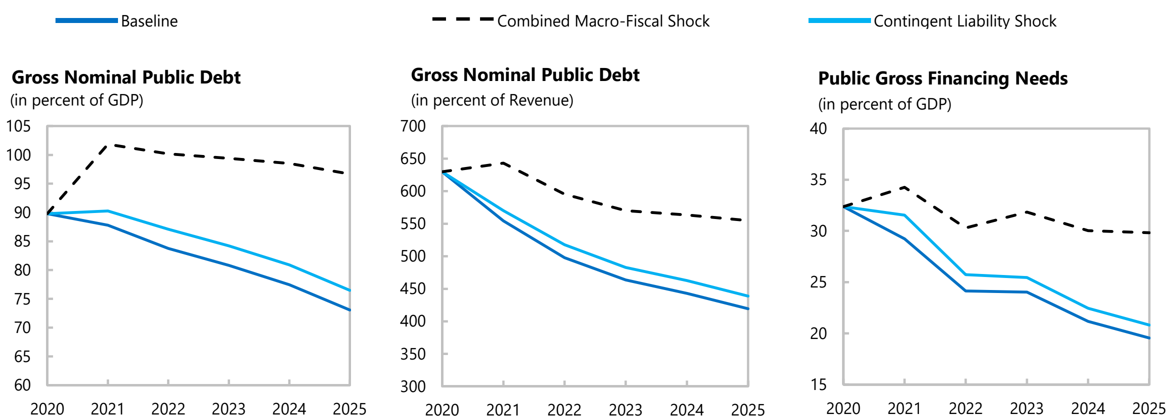
Source: IMF staff.

Figure 5. Pakistan: Public DSA - Stress Tests

Macro-Fiscal Stress Tests



Additional Stress Tests



Underlying Assumptions
(in percent)

Primary Balance Shock	2020	2021	2022	2023	2024	2025
Real GDP growth	-1.5	2.0	4.0	4.5	5.0	5.0
Inflation	10.5	9.0	8.0	6.1	4.9	4.8
Primary balance	-2.7	-1.5	0.2	1.1	1.5	1.6
Effective interest rate	7.8	7.5	7.6	9.0	7.2	5.8
Real Interest Rate Shock						
Real GDP growth	-1.5	2.0	4.0	4.5	5.0	5.0
Inflation	10.5	9.0	8.0	6.1	4.9	4.8
Primary balance	-2.7	-0.3	0.8	1.5	1.5	1.6
Effective interest rate	7.8	7.5	9.2	11.5	10.3	9.3
Combined Shock						
Real GDP growth	-1.5	1.1	3.2	4.5	5.0	5.0
Inflation	10.5	8.8	7.8	6.1	4.9	4.8
Primary balance	-2.7	-1.5	0.2	1.1	1.5	1.6
Effective interest rate	7.8	8.2	8.9	11.5	10.3	9.3

Real GDP Growth Shock	2020	2021	2022	2023	2024	2025
Real GDP growth	-1.5	1.1	3.2	4.5	5.0	5.0
Inflation	10.5	8.8	7.8	6.1	4.9	4.8
Primary balance	-2.7	-0.5	0.4	1.5	1.5	1.6
Effective interest rate	7.8	7.5	7.5	9.0	7.2	5.7
Real Exchange Rate Shock						
Real GDP growth	-1.5	2.0	4.0	4.5	5.0	5.0
Inflation	10.5	19.2	8.0	6.1	4.9	4.8
Primary balance	-2.7	-0.3	0.8	1.5	1.5	1.6
Effective interest rate	7.8	8.1	7.2	8.5	7.0	5.6
Contingent Liability Shock						
Real GDP growth	-1.5	1.1	3.2	4.5	5.0	5.0
Inflation	10.5	8.8	7.8	6.1	4.9	4.8
Primary balance	-2.7	-2.0	0.8	1.5	1.5	1.6
Effective interest rate	7.8	8.0	7.7	9.0	7.2	5.8

Source: IMF staff.

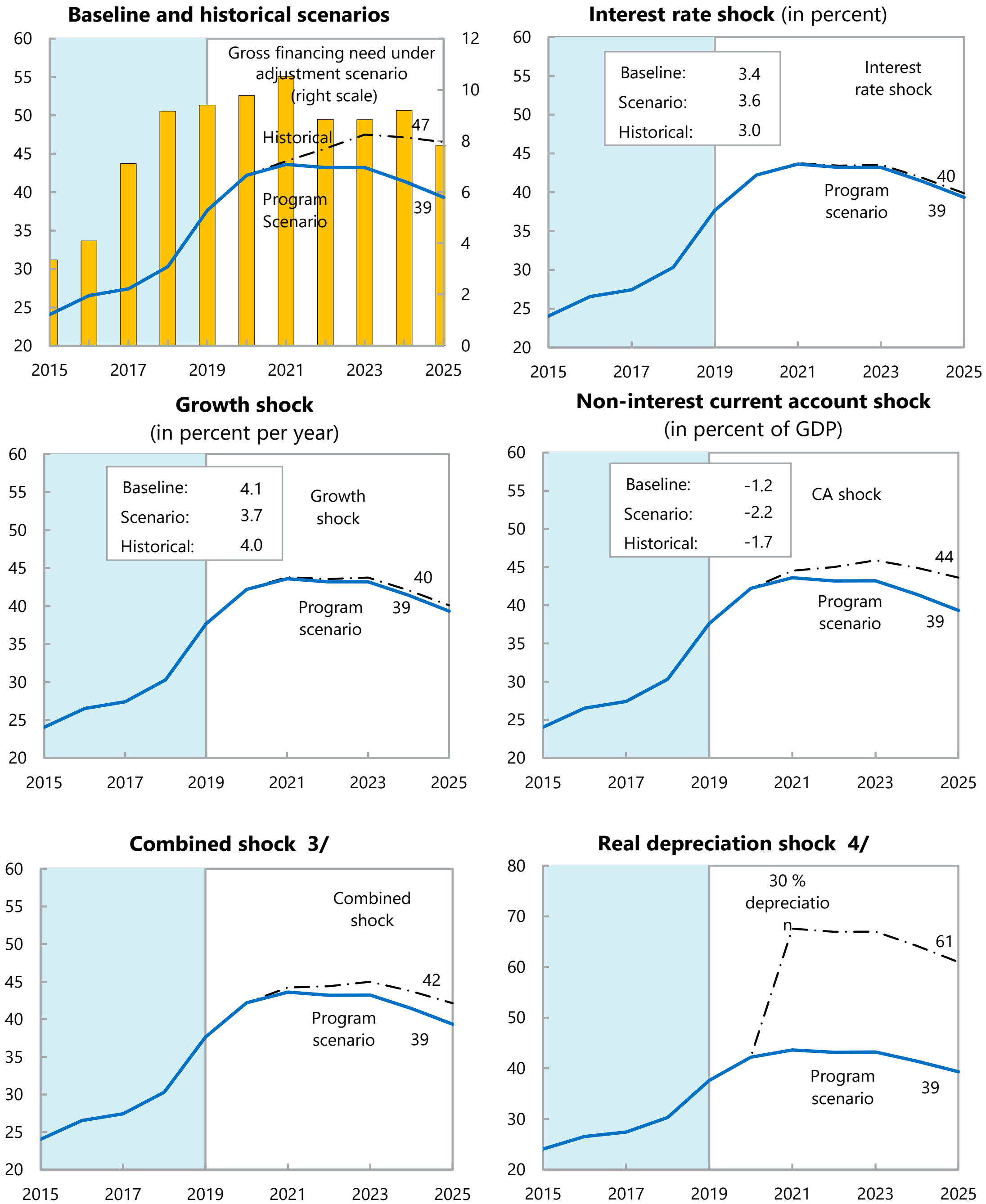
Table 1. Pakistan: External Debt Sustainability Framework, Program Scenario 2015-2025
(In percent of GDP, unless otherwise indicated)

	Actual							Projections						
	2015	2016	2017	2018	2019			2020	2021	2022	2023	2024	2025	Debt-stabilizing non-interest current account 6/
Baseline: External debt	24.1	26.5	27.4	30.3	37.6			**42.2**	**43.6**	**43.2**	**43.2**	**41.4**	**39.3**	**-3.1**
Change in external debt	-2.7	2.5	0.9	2.9	7.3			4.6	1.4	-0.4	0.0	-1.8	-2.1	
Identified external debt-creating flows (4+8+9)	-1.9	0.2	1.0	4.3	7.8			1.7	0.9	0.0	-0.3	-0.6	-0.7	
Current account deficit, excluding interest payments	0.3	1.0	3.3	5.4	3.7			0.4	1.1	1.1	1.1	1.3	1.5	
Deficit in balance of goods and services	7.5	8.1	10.2	12.0	11.6			8.8	8.4	8.3	8.1	8.0	8.1	
Exports	11.1	9.8	9.0	9.5	10.4			10.7	10.6	10.4	10.3	10.4	10.6	
Imports	18.5	18.0	19.2	21.6	22.0			19.4	19.1	18.7	18.4	18.4	18.7	
Net non-debt creating capital inflows (negative)	-0.3	-0.8	-0.9	-1.1	-0.6			-0.6	-0.7	-0.9	-1.0	-1.3	-1.5	
Automatic debt dynamics 1/	-1.9	0.1	-1.5	0.1	4.7			2.0	0.5	-0.3	-0.4	-0.6	-0.7	
Contribution from nominal interest rate	0.7	0.8	0.8	1.0	1.3			1.3	1.3	1.3	1.4	1.4	1.3	
Contribution from real GDP growth	-1.0	-1.1	-1.3	-1.5	-1.1			0.6	-0.8	-1.6	-1.8	-2.0	-1.9	
Contribution from price and exchange rate changes 2/	-1.6	0.4	-1.0	0.6	4.6			...	...	...	...	...	...	
Residual, incl. change in gross foreign assets (2-3) 3/	-0.8	2.3	-0.1	-1.4	-0.5			2.8	0.5	-0.4	0.3	-1.2	-1.4	
External debt-to-exports ratio (in percent)	217.4	269.8	303.2	317.6	360.6			396.1	409.7	415.4	420.9	399.2	371.3	
Gross external financing need (in billions of US dollars) 4/	9.1	11.4	21.7	28.8	26.6			25.8	29.3	27.0	29.2	32.7	30.1	
in percent of GDP	3.4	4.1	7.1	9.2	9.4	10-Year	10-Year	9.8	10.5	8.9	8.8	9.2	7.8	
Scenario with key variables at their historical averages 5/								**42.2**	**44.0**	**45.7**	**47.5**	**47.2**	**46.5**	**-1.9**
Key Macroeconomic Assumptions Underlying Baseline						Historical Average	Standard Deviation							
Real GDP growth (in percent)	4.1	4.6	5.2	5.5	3.3	4.0	0.9	-1.5	2.0	4.0	4.5	5.0	5.0	
GDP deflator in US dollars (change in percent)	6.4	-1.5	3.9	-2.1	-13.1	1.5	7.4	-5.0	3.4	5.2	3.9	2.6	2.5	
Nominal external interest rate (in percent)	3.0	3.3	3.3	3.7	3.8	3.0	0.6	3.3	3.2	3.3	3.5	3.6	3.3	
Growth of exports (US dollar terms, in percent)	-1.5	-8.5	0.5	9.0	-1.7	2.8	9.6	-4.6	5.4	6.8	7.3	8.9	10.0	
Growth of imports (US dollar terms, in percent)	0.9	0.0	16.8	15.8	-8.2	5.1	8.8	-17.6	3.7	6.9	7.2	7.8	9.1	
Current account balance, excluding interest payments	-0.3	-1.0	-3.3	-5.4	-3.7	-1.7	1.9	-0.4	-1.1	-1.1	-1.1	-1.3	-1.5	
Net non-debt creating capital inflows	0.3	0.8	0.9	1.1	0.6	0.7	0.3	0.6	0.7	0.9	1.0	1.3	1.5	

1/ Derived as [r - g - r(1+g) + ea(1+r)]/(1+g+r+gr) times previous period debt stock, with r = nominal effective interest rate on external debt; r = change in domestic GDP deflator in US dollar terms, g = real GDP growth rate, e = nominal appreciation (increase in dollar value of domestic currency), and a = share of domestic-currency denominated debt in total external debt.
2/ The contribution from price and exchange rate changes is defined as [-r(1+g) + ea(1+r)]/(1+g+r+gr) times previous period debt stock. r increases with an appreciating domestic currency (e > 0) and rising inflation (based on GDP deflator).
3/ For projection, line includes the impact of price and exchange rate changes.
4/ Defined as current account deficit, plus amortization on medium- and long-term debt, plus short-term debt at end of previous period.
5/ The key variables include real GDP growth; nominal interest rate; dollar deflator growth; and both non-interest current account and non-debt inflows in percent of GDP.
6/ Long-run, constant balance that stabilizes the debt ratio assuming that key variables (real GDP growth, nominal interest rate, dollar deflator growth, and non-debt inflows in percent of GDP) remain at their levels of the last projection year.

Figure 6. Pakistan: External Debt Sustainability: Bound Tests 1/ 2/

(External debt in percent of GDP)



Sources: International Monetary Fund, Country desk data, and staff estimates.

1/ Shaded areas represent actual data. Individual shocks are permanent one-half standard deviation shocks. Figures in the boxes represent average projections for the respective variables in the baseline and scenario being presented. Ten-year historical average for the variable is also shown.

2/ For historical scenarios, the historical averages are calculated over the ten-year period, and the information is used to project debt dynamics five years ahead.

3/ Permanent 1/4 standard deviation shocks applied to real interest rate, growth rate, and current account balance.

4/ One-time real depreciation of 30 percent occurs in 2018.

Appendix I. Letter of Intent

Ms. Kristalina Georgieva
Managing Director
International Monetary Fund
700 19th Street, N.W.
Washington, D.C. 20431
USA

Islamabad, April 8, 2020

Dear Ms. Georgieva,

1. Pakistan is facing unprecedented health and economic shocks from the rapid propagation of the Covid-19 outbreak. The number of confirmed cases has increased significantly in recent days—as of April 8 there were 4,194 confirmed cases and 60 deaths, up from only 30 confirmed cases on March 13—severely affecting the largest provinces of Punjab and Sindh. In response, the country is now under various degrees of lockdown, the borders with Iran and Afghanistan have been closed, and international flights as well as rail transport have been halted. The rapid propagation of the shock together with the containment measures are expected to have a severe social and economic impact, especially in the coming two quarters.

2. These developments imply that, despite our good performance under the existing Extended Fund Facility (EFF) to date—including stabilization of the economy, a successful transition to a market-based exchange rate system that underpinned significant subsequent reserve accumulation, significant reduction in the current account deficit, achieving a primary balance surplus, higher tax and non-tax revenue collection and increased social spending—the near-term macroeconomic outlook has drastically deteriorated. Given current information, growth is expected to be significantly affected in FY 2020, as the economy is buffeted by global and domestic demand and supply shocks. Public finances are expected to come under significant pressure from the planned increase in health- and mitigation-related expenditures as well as from the decline in tax revenues from the economic contraction. Similarly, the balance of payments (BoP) will be additionally strained from an expected reduction in exports, as global demand declines, and a weakening in remittances, especially from GCC countries. This scenario will result in new urgent external financing needs in FY 2020.

3. Against this background, we request financial support from the IMF for an amount of 50 percent of quota (SDR 1,015.5 million) under the Rapid Financing Instrument (RFI), to help address these urgent fiscal and BoP needs. We also request that the full amount of this disbursement be made available to the budget to support the emergency policy response. We expect that IMF's emergency financing will catalyze additional support from donors as we remain actively engaged with them to raise the necessary financing to close the BoP gap and protect our international reserves.

4. We have taken a number of emergency actions to contain the severe health risks and economic fall-out. On March 24, the Prime Minister announced a comprehensive fiscal package structured by the Ministry of Finance aimed at supporting growth and protecting those most affected by the containment measures. The package, worth 1.2 percent of GDP, contains: (i) sizeable increases in health- and mitigation-related spending; (ii) significant allocations to support daily wage earners and exporters; (iii) funding for free shelter rations, (iv) allocations for subsidized food items, and (v) support for SMEs and agriculture. Crucially, we are also launching under Ehsaas an Emergency Cash Program aimed at providing immediate financial support to over 10 million of the most vulnerable families or about a third of the population. To ensure the quality of the additional spending in the health sector, we commit to subject the procurement of urgently needed medical supplies to an ex-post audit by the Auditor General of Pakistan, the results of which will be published on the website of the Ministry of Finance. Should any additional fiscal measures be necessary, they will be strictly temporary and directly related to the crisis response.

5. Similarly, the State Bank of Pakistan (SBP) has swiftly adopted measures to support liquidity and credit conditions, and to safeguard financial stability. Key among these measures include: (i) a cumulative cut in the policy rate of 225 basis points; (ii) expanded refinancing facilities to support manufacturing and hospitals and medical centers, as well as relaxing the conditions associated with its export refinancing and long-term financing schemes; and (iii) temporary regulatory measures to maintain banking system soundness and sustain economic activity. In this context, the SBP's policies will remain centered on bringing inflation down to the medium-term objective of 5–7 percent and a continued commitment to a market-determined exchange rate, with foreign exchange sales limited to preventing disorderly market conditions (DMCs), while not suppressing an underlying trend.

6. We remain committed to the reforms included in the EFF and aim to press ahead with their decisive implementation as soon as the immediate pressures subside. These reforms are crucial to boost Pakistan's growth potential, build buffers, and reduce vulnerabilities. In particular, once the current crisis has abated, we will resume the fiscal consolidation effort envisaged in the EFF to place debt on a firm downward path and create fiscal space for much needed social and infrastructure spending and we will continue to strengthen governance by enhancing the effectiveness of anti-corruption and AML/CFT frameworks.

7. We intend to continue the close dialogue with the IMF on addressing Pakistan's balance of payments difficulties and will not introduce measures or policies that would exacerbate these difficulties. In this regard, we will comply with the provisions of the Fund's Articles of Agreement—including those which prohibit imposing new or intensifying existing exchange restrictions or multiple currency practices and avoid additional trade restrictions for balance of payment purposes.

8. In line with the safeguards policy, an updated safeguards assessment was completed in December 2019 and we are committed to addressing the remaining issues, including through the agreed submission of amendments to the SBP act to the National Assembly. Since the funds obtained under this RFI will be used for budget financing, we will update the existing memorandum of understanding between the Ministry of Finance and the State Bank of Pakistan on their respective responsibilities for servicing the related financial obligations to the IMF.

9. We authorize the IMF to publish this Letter of Intent and the staff report for the request for disbursement under the RFI.

Sincerely yours,

/s/
Dr. Abdul Hafeez Shaikh
Advisor to the Prime Minister on Finance and Revenue

/s/
Dr. Reza Baqir
Governor of the State Bank of Pakistan

Statement by Jafar Mojarrad, Executive Director for Pakistan and Saeed Ahmed, Senior Advisor to Executive Director
April, 16, 2020

On behalf of our Pakistani authorities, we would like to express deep gratitude to management and staff for the expeditious response to Pakistan's request for a purchase under the Rapid Financing Instrument (RFI) to help overcome the impact of the exogenous shock caused by the COVID-19 pandemic.

Prior to the coronavirus outbreak, Pakistan's reform process under the EFF program was on track. The extensive discussion of issues in the context of the 2nd review of EFF and Article IV consultations paved the way for staff-level agreement. This positive outcome reflected the successful completion of all end-December performance criteria and structural benchmarks, vastly improved fundamentals, and endorsement of the authorities' considerable progress in advancing reforms and maintaining sound economic policies. The authorities were looking forward to approval of the review by IMF management and consideration by the Executive Board earlier this month.

Unfortunately, as a result of the pandemic, the economic situation has changed dramatically, and, as in many other countries, the external and fiscal position in Pakistan have come under stress. While the authorities remain committed to the policies and reform agenda agreed under the EFF, the sudden and massive impact of the pandemic has understandably shifted their near-term priorities more toward combating the pandemic and supporting healthcare, businesses, households and the more vulnerable segments of society. Due to heightened global uncertainty, Pakistan's near-term economic outlook has become challenging and there is an urgent need to increase public spending to contain the outbreak and support the economy.

The Coronavirus (COVID-19) Pandemic

Like other parts of the globe, Pakistan, the world's fifth most populous country, has been hit hard by the COVID-19, with over 5,374 cases and 93 deaths reported as of April 13, 2020. The virus has created a national health emergency. To limit contagion, the authorities have taken stringent measures and implemented social distancing and varying levels of lockdown across provinces. Mobility across the country has been restricted, international travel has been suspended, public events have been banned, and schools and universities have been temporarily closed. The accelerated pace of positive cases domestically, together with adverse implications for exports, remittances and capital inflows, make Pakistan highly vulnerable to the shock. Without international assistance, this vulnerability could be magnified by the relatively constrained level of financial resources and fiscal space at this critical time.

Economic Impact of the Pandemic

The global pandemic is threatening a sharp growth downturn in many parts of the world. Pakistan is no exception. The impact of the pandemic on key economic variables started appearing from the beginning of March 2020 and intensified from the middle of the month following the lockdown in Pakistan and its major export and migrant worker destinations. The latest available information highlights the severe negative impact of the pandemic on key economic sectors:

- The early impact of the crisis on Pakistan's economy began with capital outflows. Financial market volatility also increased, with the main stock index having declined by about 25 percent since early February 2020.

  As in most other emerging markets reeling from this heightened global risk aversion and sudden stop in capital flows, the impact of these developments is most visibly reflected in a decline in foreign exchange reserves and depreciation of the exchange rate. After a sustained appreciation since July 2019, the rupee has depreciated by 7.2 percent during March 2020. Similarly, the SBP reserves, which had increased to US$12.8 billion by end-February (from US$7.3 billion at end-June 2019) fell below US$11 billion by end-March.

- Data on container traffic at Pakistan's two major ports shows a sharp decline in export cargo handling since mid-March. This is consistent with the cancellation of export orders or requests to delay the shipments when the lockdown started in Europe. IMF staff project workers' remittances to drop by over US$5 billion in FY2020 and FY2021, as activity in the GCC countries declines.

- From the production side, high frequency indicators on cement, automobiles and petroleum products' sales for March 2020 show notable reduction.

These developments imply that Pakistan's macroeconomic outlook, including for growth, public finances and balance of payments, has significantly deteriorated for this year. Relative to their February projections, IMF staff estimate that the economy could contract by 1.5 percent in FY2020 (the first full-year contraction since 1952), a downward revision of about 4 percentage points due to a decline in consumption, investment, international trade, remittances, and private capital flows.

According to IMF staff, the primary fiscal deficit is projected to widen by 2 percentage points of GDP (from 0.8 percent of GDP before crisis) owing to decline in tax revenues due to the closure of businesses and disruptions to trade (import-related taxes account for around 40 percent of the federal tax collection). Concurrently, the new external financing gap for Q4 FY2020 is estimated by IMF staff at US$2 billion, keeping SBP reserves at US$12 billion by end-June, despite the respite provided by falling oil import bill. Finally, the COVID-19 shock is likely to reverse the decline in public debt in recent months that was achieved through the authorities' resolute fiscal consolidation efforts.

Policy Response to the Crisis

To contain the pandemic and support the economy, the authorities have responded in a timely and well-calibrated fashion.

On the fiscal front, the Government introduced a PRs 1.2 trillion economic relief package including new allocations worth 1.2 percent of GDP. The package will provide cash grants to 12 million low-income families under the “Ehsaas program” and emergency cash assistance on the recommendation of the district administrations. The package also includes PRs 200 billion of cash assistance for daily wage earners working in the formal industrial sector who had been laid off following the outbreak. Further, the government has earmarked PRs50 billion for strengthening the Utility Stores Corporation network and funding provision of essential food items to the vulnerable section of society at subsidized rates. In addition, the Prime Minister has set up a “COVID-19 Pandemic Relief Fund-2020” to help those who have been made destitute by the lockdown. The authorities are also re-directing domestic spending to health emergency and will require donor support to buttress their efforts. Moreover, additional measures are being planned to cover emerging requirements as the financial and economic impact of the pandemic unfolds.

The authorities believe that a temporary widening of the budget deficit needs to be accommodated. Reprioritization of expenditure may be required to create more space for increasing health and social spending, especially for the poor segment of the society at this critical juncture. Once the crisis abates, however, the authorities remain committed to gradually bring the fiscal deficit down to lower levels.

On the monetary front, the State Bank of Pakistan (SBP) moved swiftly to ease financial conditions, provide liquidity to banks, and safeguard financial stability. The SBP reduced the policy rate by 225 basis points to 11 percent in response to the moderating outlook for inflation, and also announced a comprehensive relief package for households and businesses to ensure adequate liquidity amid growing disruptions, through its refinancing facilities and regulatory actions. These actions are temporary and time-bound, and designed to provide targeted support to borrowers to prevent liquidity pressures leading to insolvency and unemployment, while also building in adequate safeguards to protect bank balance sheets.

Key Components Include:

- To support the employment of workers and avoid layoffs, a temporary *‘Refinance Scheme for Payment of Wages & Salaries to the Workers and Employees of Business Concerns’* has been launched. The scheme is available through banks and provides low-cost financing for wage expenses for three months from April to June 2020 for those businesses which do not layoff their employees for these three months.

- To support hospital and medical centers to purchase medical equipment to detect, contain and treat the pandemic, a temporary *'Refinance Facility for Combating*

COVID-19' has been launched. This scheme is available through banks until end-September 2020.

- To provide targeted support to smaller enterprises and individuals, the *regulatory limit on credit to SMEs* has been increased from PRs 125 million per SME to PRs 180 million. Similarly, the *Debt Burden Ratio* for consumer loans has been relaxed from 50 to 60 percent.

- To alleviate debt servicing pressures, the *payment of principal on loan obligations will be deferred* for one year by banks, provided that the borrowers submit a written request before end-June 2020. For borrowers whose financial conditions require relief beyond principal extension, regulatory criteria for restructuring/rescheduling of loans have been temporarily relaxed until March 31, 2021. This is a voluntary operation by the banks and the impact on liquidity and credit quality should not create problems for the health of banking system.

- To facilitate new investment across manufacturing sectors, a *'Temporary Economic Refinance Facility'* has been launched. As with the other refinancing schemes described above, the SBP will refinance banks for extending new loans as part of this scheme until end-March 2021.

- To facilitate the provision of additional bank loans to households and businesses without compromising the soundness of the banking sector, the *Capital Conservation Buffer* requirement has been temporarily reduced from 2.5 percent to 1.5 percent. The risk-weighted capital adequacy ratio for banks stood at 17 percent for December 2019.

Policies Post-COVID-19 Pandemic

The current environment of uncertainty has led to a temporary loosening of macroeconomic and financial policies but consistent with the general guidance provided by Fund staff and change in macroeconomic conditions. Once global conditions normalize, Pakistan's improved fundamentals under the EFF and the authorities' steadfast commitment to its objectives should enable an economic recovery. In particular, the authorities are committed to gradually bringing the fiscal deficit down to lower levels once the exogenous shock created by COVID-19 crisis is overcome. A credible medium-term fiscal consolidation will put public debt on a firm downward trajectory. The authorities' efforts to improve the maturity structure of debt and the agreed roll-over of maturing obligations by key bilateral creditors will improve Pakistan's debt sustainability.

The authorities have accommodated a faster-than-expected decline in headline inflation, owing to weakening demand, by lowering the policy rate. Looking ahead, monetary policy will continue to be guided by the goal of bringing inflation back within the SBP's 5-7 percent target range over the medium term.

The authorities will maintain the market determined exchange rate as the economy's main shock absorber, with interventions limited to addressing disorderly market conditions. While portfolio outflows have put some pressure on the foreign exchange market, Pakistan's exposure to capital markets is relatively limited, dampening risks.

The authorities are encouraging banks to use capital and liquidity buffers to avoid any liquidity squeeze and have temporarily relaxed some of the regulatory requirements to allow banks to deal with the impact of the crisis on credit conditions. These measures are temporary and have been carefully calibrated so as not to compromise financial stability. Being time-bound, they will automatically be reversed as the economic situation improves.

Financing Request Under the RFI

The pandemic has created an urgent fiscal and balance of payments need. The new external financing gap is estimated by the staff at $2 billion (0.8 percent of the GDP) for Q4 FY2020. In light of these developments, the authorities have requested financial support under the RFI for a purchase equivalent to 50 percent of the quota (SDR 1,015.5 million) to be channeled to the budget to meet emergency needs.

The authorities believe that the RFI is the appropriate instrument to support Pakistan at this juncture as the severity of the shock, uncertainty of the outlook, and heightened emergency demands on the government make it difficult to recalibrate the existing EFF on a timely basis. Fund support under the RFI is expected to catalyze additional support from the World Bank and Asian Development Bank, as well as from bilateral donors to close the remaining financing gap and ease the adjustment burden.

Pakistan's public debt is assessed to be sustainable although risks have increased due to COVID-19 shock, while the capacity to repay the Fund will remain adequate. With strong policy implementation under the EFF and continued support by multilateral and official bilateral creditors, Pakistan's debt will be brought back to a firm downward trajectory over the medium-term. Debt sustainability is also supported by the agreed maintenance of exposure by key bilateral creditors (China, Saudi Arabia and UAE), as demonstrated by the established track record over the last 9 months. The authorities stand ready to mount an additional fiscal effort should donor funding falls short.

Conclusion

Our Pakistani authorities appreciate the continued support of Fund management and staff. They also extend their appreciation to Pakistan's international development partners and bilateral donors for helping to finance Pakistan's reform efforts. At this critical juncture, they expect the financial assistance from the Fund will reinforce their efforts to mitigate the adverse effects of the COVID-19 crisis on the economy. Beyond the prevailing global crisis, Pakistan remains committed to the objectives, framework and reforms agreed under the EFF. As soon as the current pressures subside, the authorities look forward to resuming discussions on the second and third reviews of the program and to re-embarking on the path of recovery on which they have made so much progress before the COVID-19 crisis. The authorities will continue to implement growth-friendly and inclusive policies, and structural reforms to boost potential growth and enhance resilience, while strengthening social safety nets.