

Key Economic Projections by IMF		
	FY25	FY26
Real GDP growth	2.6%	3.6%
Inflation Average	5.1%	7.7%
Fiscal Balance*	-5.6%	-5.1%
Primary Balance*	2.1%	1.6%
C/a Balance*	-0.1%	-0.4%
FX Reserves (US\$bn)	13.9	17.7
Import Cover (x)	2.3	2.8
Public Debt	71.2%	69.2%
External Debt	24.0%	22.2%

Source: IMF, IGI Research

Pakistan and IMF

IMF Board Completes 1st Review Under 37-month EFF; Approves US\$ 1.4bn RSF

- The Executive Board of International Monetary Fund (IMF) in its meeting held on 09-May-25 ([Link](#)) approved 1st Review under 37-Month Extended Fund Facility (EFF) for Pakistan worth US\$ 1bn (SDR 760mn). The Board also approved US\$ 1.4bn under Resilience and Sustainability Facility (RSF) to support Pakistan in its efforts in building economic resilience to climate vulnerabilities and natural disasters.
- The approval of EFF program allows for immediate disbursement of US\$ 1.0bn (or SDR 760mn) bringing total disbursement under the EFF program to US\$ 2.1bn (SDR 1.52bn).
- IMF projects GDP growth for FY25 and FY26 at 2.6% and 3.6% respectively. Inflation to average 5.1% in FY25 and rise to 7.7% in FY26. Primary surplus to stand at 2.1% of GDP in FY25 and 1.6% of GDP in FY26. Fiscal deficit to stand at 5.7% and 5.1% of GDP in FY25 and FY26 respectively. C/a to post deficit of 0.1% and 0.4% of GDP in FY25 and FY26 respectively. SBP's gross FX reserves are estimated to stand at US\$ 13.9bn and US\$ 17.7bn by end of Jun-25 and Jun-26 respectively.

IMF Board Approves 1st Review and US\$ 1.4bn RSF

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To recall, IMF team visited Pakistan and held discussions for the new EFF program during May 13-23, 2024. The discussions continued virtually after the team left Pakistan and towards the end of the discussion the IMF Mission chief to Pakistan told the press that Pakistan and IMF have successfully reached an SLA on a comprehensive program on 12th-Jul-2024 endorsed by the federal and provincial governments.

The EFF Program approved by Board in Sep-2024 aims to build resilience and enable sustainable growth. Key priorities include a) establishing macroeconomic sustainability through implementation of sound macro policies, rebuilding FX reserves buffer and broadening tax base, b) raise productivity and strengthen competition, c) reforming SOEs and improving public service provision and energy sector viability and, d) building climate resilience.

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Significant progress made so far under EFF program

IMF stated that Pakistan's efforts under EFF program have already delivered significant progress in stabilizing the economy and rebuilding confidence. On Fiscal side, Pakistan has posted primary surplus of 2.0% of the GDP during 1HFY25 and is on track to achieve FY25 target of 2.1% of GDP. Inflation fell to historic low of 0.3% in Apr-2025 which has allowed SBP to cut Policy rate by total of 1100bps to 11% since Jun-2024. FX reserves stood at US\$ 10.3bn at the end of Apr-25 compared to US\$ 9.4bn in Aug-2024 and are estimated to reach US\$ 13.9bn by end of Jun-2025.

REF program to build economic and climate resilience

The RSF Program will support Pakistan's efforts to reduce vulnerabilities to natural disasters and build economic and climate resilience. The RSF program a) prioritizes resilience to natural disaster and strengthen public investment processes at all government levels, b) efficient use of scarce water resources, c) strengthen coordination between federal and provincial governments for natural disaster response and financing, d) improve information disclosure of climate related risks by banks and corporates, e) supports Pakistan's efforts in meeting mitigation commitments and reduce related macro-critical risks.

Monetary Policy and Exchange rate

The IMF also highlighted that although inflation has dropped sharply, risks remain elevated particularly from global uncertainty, rising geopolitical tensions and domestic vulnerabilities. Monetary Policy should remain appropriately tight and data driven to ensure inflation is anchored within the SBP's target range. A flexible exchange rate would provide support against external and domestic shocks and facilitate in rebuilding FX reserves. Strengthening of AML/CFT frameworks is also required.

Fiscal discipline and energy sector reforms

Timely implementation of power tariff adjustment has helped reduce the stock and buildup in circular debt. Although cost-side reforms are depicting early signs of success but need to be accelerated to safeguard energy sector's viability. Implementation of FY25 Budget and key fiscal reforms has helped build policy making credibility especially Agriculture Income Tax. Mobilizing revenue from undertaxed sectors and the noncompliant along with federal and provincial spending discipline would make system more equitable and efficient and strengthen sustainability and resilience.

Key IMF projections

IMF projects GDP growth for FY25 and FY26 at 2.6% and 3.6% respectively. Inflation to average 5.1% in FY25 and increase to 7.7% in FY26. Primary surplus to stand at 2.1% of GDP in FY25 and 1.6% of GDP in FY26. Fiscal deficit to stand at 5.7% and 5.1% of GDP in FY25 and FY26 respectively. C/a to post deficit of 0.1% and 0.4% of GDP in FY25 and FY26 respectively. SBP's gross FX reserves are estimated to stand at US\$ 13.9bn at the end of Jun-25 while increasing to US\$ 17.7bn by Jun-26 end.

Exhibit: Pakistan and IMF

Facility	Start Date	Expiration Date	Amount (SDR)	Amount Drawn (SDR)
Standby Arrangement	Dec-58	Sep-59	25	-
Standby Arrangement	Mar-65	Mar-66	38	38
Standby Arrangement	Oct-68	Oct-69	75	75
Standby Arrangement	May-72	May-73	100	84
Standby Arrangement	Aug-73	Aug-74	75	75
Standby Arrangement	Nov-74	Nov-75	75	75
Standby Arrangement	Mar-77	Mar-78	80	80
Extended Fund Facility	Nov-80	Dec-81	1,268	349
Extended Fund Facility	Dec-81	Nov-83	919	730
Structural Adjustment Facility Commitment	Dec-88	Dec-91	382	382
Standby Arrangement	Dec-88	Nov-90	273	194
Standby Arrangement	Sep-93	Feb-94	265	88
Extended Credit Facility	Feb-94	Dec-95	607	172
Extended Fund Facility	Feb-94	Dec-95	379	123
Standby Arrangement	Dec-95	Sep-97	563	295
Extended Fund Facility	Oct-97	Oct-00	455	114
Extended Credit Facility	Oct-97	Oct-00	682	265
Standby Arrangement	Nov-00	Sep-01	465	465
Extended Credit Facility	Dec-01	Dec-04	1,034	861
Standby Arrangement	Nov-08	Sep-11	7,236	4,936
Extended Fund Facility	Sep-13	Sep-16	4,393	4,393
Extended Fund Facility	Jul-19	Jun-23	4,988	2,144
Standby Arrangement	Jun-23	Mar-24	2,250	2,250
Extended Fund Facility	Jul-24	Aug-27	5,320	1,520

Source: IMF, IGI Research

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