



## Thoughts from a Renaissance man Pakistan: The IMF may finally be coming

**Pakistan may be the most attractive that it's been in at least three years, as priced in by dollar bond investors, but will equity investors take the time to notice?**

### After a punishing two years for investors, Pakistan may be ready to embark on reform again

We stopped publishing Pakistan country pieces after reform stalled in 2016. The stock market has fallen 57% (in dollars) since its peak in 2017, the currency has depreciated from PKR104/\$ to PKR141/\$ over the same period, and an inexperienced government has procrastinated over coming to an IMF deal since the 3Q18 elections.

In recent weeks, media reports have intensified that a \$12bn IMF deal is being negotiated, which may be finalised in April and (assuming no US veto) signed off as early as May 2019. This would give credibility to government fiscal plans to cut the deficit by a third, reduce the current account (C/A) deficit and reverse the rise in public debt (to over 80% of GDP, according to the World Bank).

### The cheapest South Asian currency is one good reason to look at Pakistan

This is against a backdrop of a big improvement in Pakistan's competitiveness. Our real effective exchange rate (REER) model showed the Pakistani rupee (PKR) was the second most overvalued currency in EM two years ago. Today it is 4% cheaper than its long-term fair value, on our estimates, making it the only undervalued South Asian currency and around 35% cheaper than that of Bangladesh. The minimum wage differential with Bangladesh has shrunk dramatically, from more than double a year ago, to just a \$12 premium now (\$107 monthly in Pakistan vs \$95 for Bangladeshi textile workers).

The trade deficit has now improved for eight consecutive months. Exports were flat in 1Q19 while imports fell 19% YoY. We expect the currency to depreciate by no more than 0-10% in the coming year.

### Headline risk remains significant in coming weeks

We find asset valuations attractive and the currency to be the best value in South Asia; and an IMF deal should boost confidence. However, headline risk remains significant. In the last week, Pakistan's foreign minister has warned that India may attack Pakistan next week, and that there is a conspiracy to have Pakistan put on the black list of the Financial Action Task Force (FATF; it is presently on the grey list). So in coming weeks, we remain neutral on Pakistani equities.

### Pakistan's tiny weight in the EM Index is a problem – we don't see an easy solution

Pakistan's bigger problem in attracting foreign portfolio interest is its tiny weight in the MSCI GEM Index. We calculate that GEM fund managers should allocate just 47 minutes of their time each year to covering Pakistan, compared with four months looking at China. In a lifetime, it may warrant a one-week trip. It is easily overlooked.

There has been speculation recently that Pakistan might be downgraded again to Frontier status, and we think FM inflows from this would be double the size of likely outflows of passive EM funds. However, we doubt it will happen.

It does raise the question of what the right design should be for a Frontier/EM index. The current EM Index has a 2/3 allocation to China, Taiwan, South Korea and India. The FM Index has a one-fifth allocation to Kuwait. The current FEM Index has a one-quarter allocation to the Philippines. None are satisfactory to most investors seeking non-mainstream EM exposure. We have put our thinking caps on.



Our initial enthusiasm for Pakistan in 2015<sup>1</sup> tapered off after our last published report in 2016<sup>2</sup> when reform stagnated, the IMF deal expired and as the last positive catalyst of MSCI EM inclusion approached in May 2017. Since then the overvalued currency has crumbled, the stock market has collapsed by 42% from its 2017 peak (57% in US dollars), and inflation and interest rates have risen. An inexperienced new government has taken office, with big promises to spend on health and education. It has procrastinated for over six months about embarking on an IMF deal to address imbalances in the economy (as shown via the low level of FX reserves). The new premier Imran Khan has won a PR victory in the recent clash with India, and won Gulf financial support to support the economy in the near term, but neither is a strong enough reason for investors to buy Pakistan in the medium term, we think.

Yet Pakistan does interest us, because it is cheap, because risks in the country are often overstated, and because the currency has made a hefty adjustment that makes it much more competitive than it was, relative to India or Bangladesh. We have been waiting for news of an IMF deal to consider becoming more positive on the credit.

An IMF deal does appear to be looming, and if agreed in April, could be signed off as early as May 2019<sup>3</sup>. In early March, [press reports](#) suggested the deal would amount to about \$12bn. The finance minister [has suggested](#) he will improve the primary fiscal balance (at present a 2% of GDP deficit), cut the headline budget deficit from 6.6% of GDP to 4% of GDP (vs pre-deal IMF assumptions you can find in the back pages), reduce inflation to 5% as the State Bank of Pakistan (SBP) moves to an inflation-targeting regime, cut public debt from 82% of GDP in fiscal year 2019 (World Bank estimate) to 70% and lift exports from \$25bn to \$40bn. The next 18 months would be a stabilisation phase, consistent with World Bank expectations that GDP growth may slow from 5.4% in fiscal year 2018 to around 3% over the 2019 and 2020 fiscal years. The World Bank expects the C/A deficit to halve from 6% of GDP to 2-3% of GDP.

Assuming an IMF deal comes through, we think it would reduce the risk of significant currency depreciation. The currency has already weakened a lot. In July 2017 it was the second most overvalued EM currency in our REER model: 23% stronger than its 1995-2017 fair value, and just below the 27% overvaluation of India<sup>4</sup>. Today Pakistan has an undervalued currency, 4% below its long-term average rate in today's money and only a little above the cheapest level it's ever been since 1995, of PKR156/\$.

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<sup>1</sup> See [Thoughts from a Renaissance Man, Pakistan – thanks for the reminder](#), 19 February 2015.

<sup>2</sup> See [Thoughts from a Renaissance Man: Pakistan – faster growth, less reform](#), 20 May 2016.

<sup>3</sup> Note there is still a risk of a US veto related to Congressional concerns that IMF money would end up bailing out Chinese investments.

<sup>4</sup> See [Thoughts from a Renaissance Man, On currencies and unhelpful CPI targets](#), 7 July 2017.



Figure 1: EM currencies in our REER model – from most expensive (top) to cheapest (bottom)

	Current FX rate vs \$	FX rate implied by LT avg REER	FX rate if REER falls to previous lows	Date of REER low	LT avg divided by current rate	IMF 2018E C/A (% GDP)	IMF 2019E C/A (% GDP)	Standard deviations away from historical avg	Yvonne's* avg REER 2018 estimate	RenCap 19YE forecast	1-year local currency yields, %
China	6.71	8.25	11.3	Apr-95	1.23	0.4	0.3	1			2.4
India	69.4	81.9	99.9	Nov-96	1.18	-2.5	-2.4	1			6.6
Czech Republic	22.7	26.7	41.0	Jan-95	1.18	-0.6	-0.8	0			1.8
Philippines	52.0	60.2	83.8	Feb-04	1.16	-2.2	-1.8	1			6.3
Thailand	31.8	36.6	53.2	Jan-98	1.15	7.1	6.3	1			1.8
Qatar	3.66	4.15	5.26	Dec-03	1.13	4.6	4.1	1			3.4
UAE	3.67	4.11	4.70	Nov-07	1.12	5.9	5.1	1			3.3
Peru	3.29	3.68	4.16	Jul-07	1.12	-1.4	-1.5	1			2.7
Indonesia	14,133	15,161	39,418	Jun-98	1.07	-3.2	-2.8	0			6.3
Chile	664	712	885	Jun-03	1.07	-2.7	-2.6	1			3.3
Russia	64.7	68.2	133	Jan-99	1.05	5.7	5.1	0		68	7.6
Korea	1,142	1,194	1,850	Jan-98	1.04	4.6	4.5	0			1.7
Hungary	285	289	388	Apr-95	1.01	0.5	0.6	0			0.2
Egypt	17.3	17.1	26.2	Dec-03	0.99	-2.4	-1.7	0	15.2	16.5	17.0
Poland	3.80	3.76	4.54	Nov-97	0.99	-1.2	-1.5	0			1.5
Colombia	3,115	3,026	4,192	Mar-03	0.97	-3.9	-3.8	0			4.6
Pakistan	141	135	156	Sep-01	0.96	-5.2	-4.3	0			11.2
Brazil	3.85	3.68	7.11	Oct-02	0.96	11.4	10.7	0			6.5
Taiwan	30.8	29.4	34.5	Nov-09	0.95	-2.7	-2.6	0			1.1
Greece	1.13	1.18	1.03	Sep-00	0.95	-1.7	-1.6	0			0.7
Malaysia	4.09	3.84	5.81	Dec-98	0.94	2.1	2.1	0			3.3
South Africa	14.0	12.9	19.4	Dec-01	0.92	-3.4	-3.7	0	11.3		7.9
Mexico	18.9	16.0	25.9	Mar-95	0.84	-1.7	-1.9	-1			8.1
Turkey	5.66	4.28	6.37	Sep-18	0.76	0.7	-0.4	-1			23.1
Argentina**	43.7	30.8	68.4	Jun-02	0.71	-2.0	-2.5	0			45.2

Note: Govt bonds/bills except: Argentina (deposit rate), Qatar, Taiwan, UAE (Interbank rates).

\*Yvonne Mhango, our SSA economist.

\*\*Argentina's inflation data were unreliable for 2007-2015 – we have constructed an REER series using 'shadow' inflation data.

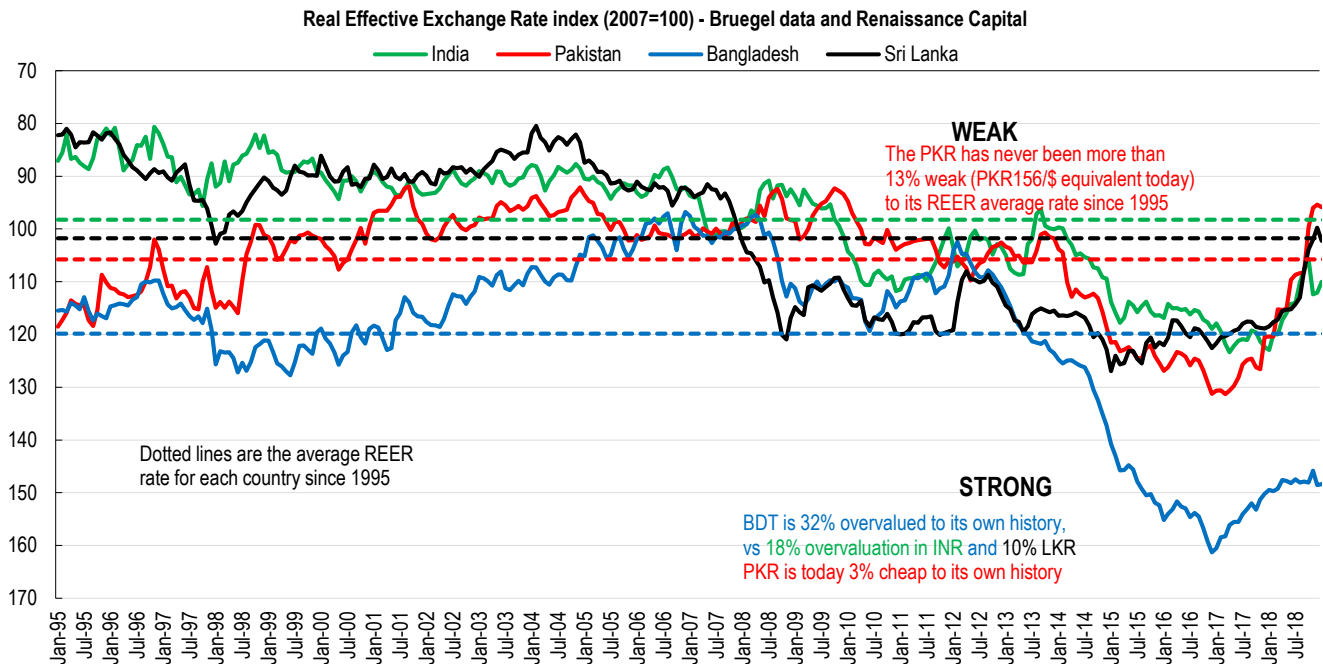
Source: Bruegel, IMF Oct 2018 WEO, Renaissance Capital

More interesting still for Pakistan, its currency is the cheapest relative to its long-term average, of any of the South Asian currencies we follow. Bangladesh in particular remains more than 30% overvalued, while Pakistan is 4% cheap. Given the similar export and economic structure of these two economies, we think this gives Pakistan a significant competitive edge over the long term. We expect Pakistan's textile sector to gradually do better and attract more foreign direct investment as a result. In terms of education and electricity, both economies are unable to industrialise<sup>5</sup> but both can (and do) have successful manufacturing sectors where adult literacy is above 70%.

<sup>5</sup> See *Thoughts from a Renaissance Man: No take-off without education*, 27 October 2017.



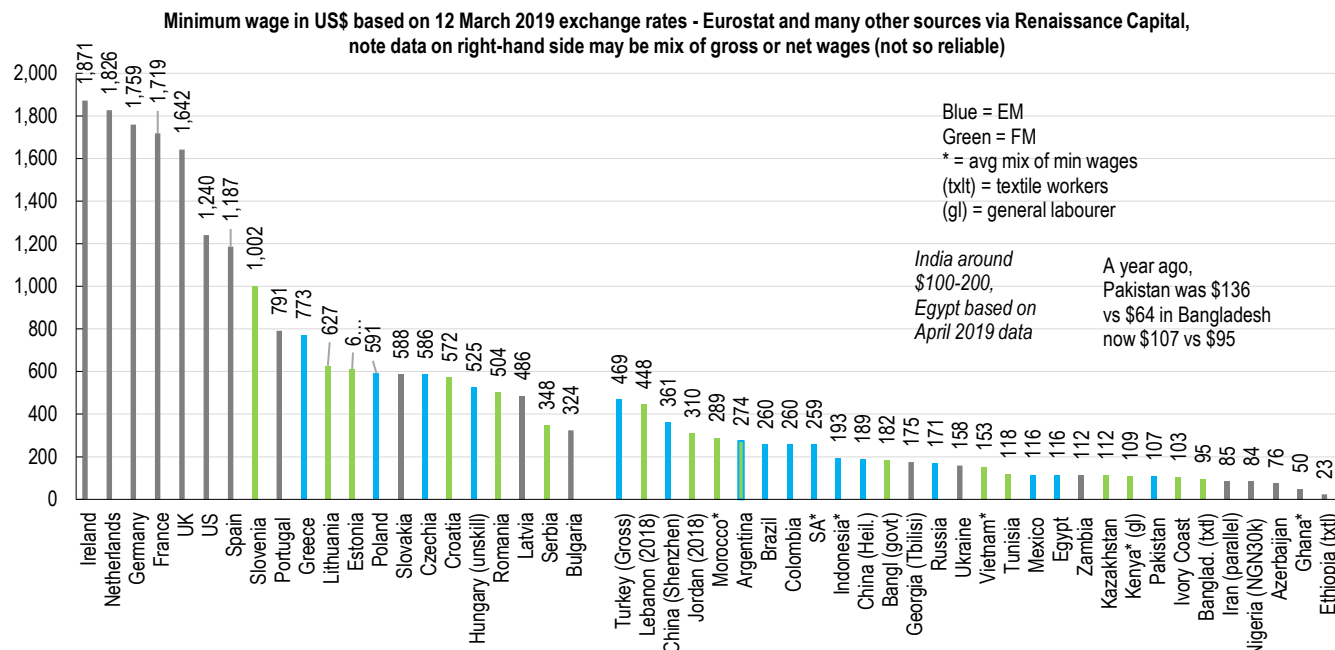
Figure 2: South Asian REERs since 1995



Source: Bruegel, Bloomberg, Renaissance Capital

We can see this via the change in minimum wages. In early 2018, Pakistan's minimum wage was \$136 a month, while Bangladeshi textile workers got a minimum \$64 a month. In March 2019, Pakistan's minimum wage had shrunk to \$107, just \$12 above the election-boosted figure of \$95 in Bangladesh (and there have been recent protests in Bangladesh that this is still not high enough).

Figure 3: Pakistan's minimum wages are now below some in Sub-Saharan Africa

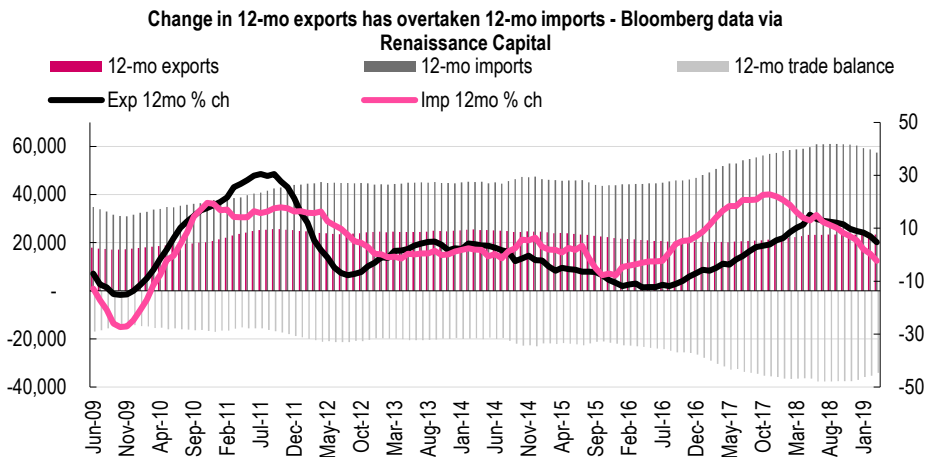


Source: Eurostat, Google, Renaissance Capital



The cheaper currency is beginning to have a positive impact on Pakistan's external deficit. There have been eight consecutive months of trade deficit improvement in the 12-month rolling data. Export growth first outpaced import growth in December 2017, and recently the YoY differential has widened into the double digits (imports fell 19% YoY in 1Q19 while exports were flat).

Figure 4: Trade trends are finally improving



Source: Bloomberg

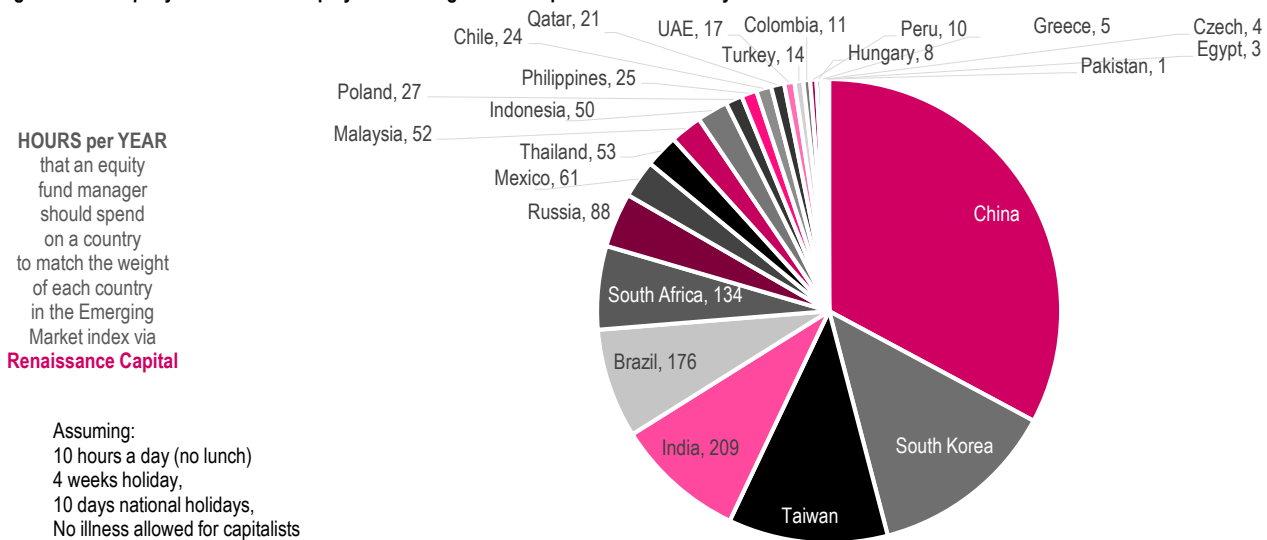
The negative impact of the weaker currency shows up in inflation, which reached 9.4% in March, prompting the SBP to hike rates by 50 bpts to 10.75%. The World Bank expects inflation to reach 13.5% in fiscal year 2020, which threatens more interest rate hikes.

Foreign investors will often look through a period of weak growth and even interest rate hikes, if currency risk is low and long-term prospects are good. However, there is a big question about where equity investors will come from?

It is unlikely to be GEM investors, who **we estimate** should allocate 47 minutes of their year on Pakistan, given its tiny index weight. In addition, while we generally think Pakistan's risks are overstated, we have to admit there is serious headline risk for equity investors in the near term. Pakistan's foreign minister Shah Mehmood Qureshi **said** on 7 April 2019 that he has credible information that India will attack Pakistan between 16-20 April (related to India's long election calendar, among other deeper historical reasons). He also **said** on 8 April that international forces are conspiring to put Pakistan on the black list of the FATF. We are not sure he is the best spokesman this month to entice investors to Pakistan.



Figure 5: Hours per year that a GEM equity fund manager should spend on each country



Source: MSCI, Renaissance Capital

There has been some discussion recently that Pakistan could get re-downgraded<sup>6</sup> to Frontier status. We estimate this could tempt in twice as much active frontier money (\$0.6bn) as the likely (\$0.3bn) outflow of passive EM money, but we think: 1) market liquidity is still high enough to keep it in EM; and 2) MSCI would be reluctant to downgrade after the relatively recent 2017 upgrade to EM. MSCI tends to be slow in these circumstances. Rather than downgrade the Czech Republic from EM to FM after its number of MSCI eligible stocks fell from three to two, MSCI chose to wait for a third stock to become eligible. If an IMF deal is announced for Pakistan, we think liquidity would improve, further reducing the chances of a downgrade.

Equity buyers could emerge from among local investors, but that seems unlikely while interest rates are rising, which should encourage money into local banks or bonds. If the World Bank is even close to accurate, we think interest rate cuts would be off the agenda for another year and we may well get interest rate hikes first. Local investors are unlikely to pour into equities.

To conclude, then, an IMF deal could be announced in coming weeks. It appears to already be priced in by the dollar bond investors, who have pushed the price of the 2027 eurobond back above par, from price lows of 85 cents on the dollar in mid-2018. Coming after the PKR has got so much more competitive, and when equity valuations are as interesting as they are, we think this will tempt other foreign investors to look at Pakistan again. However, we think headline risk remains high in the near term, and over 2019, we think many GEM investors will continue to overlook this market. We do not think Pakistan will be downgraded to Frontier status (we do think there is a good argument for a better Frontier/EM Index that could include Pakistan) and doubt local investors will put significant savings into equities in 2019 if World Bank inflation forecasts for 2020 are at all close to accurate. We remain neutral on the equities for now.

<sup>6</sup> It was downgraded in 2008 when the stock market was closed.



# Pakistan

Figure 6: Credit ratings

	Current	Date	(Prior)	Outlook
<b>Foreign currency</b>				
Moody's	B3	Jun-15	(Caa1)	-
S&P	B-	Feb-19	(B)	=
Fitch	B-	Dec-18	(B)	=
<b>Local currency</b>				
Moody's	B3	Jun-15	(Caa1)	-
S&P	B-	Feb-19	(B)	=
Fitch	B-	Dec-18	(B)	=

Figure 7: Consensus forecasts

	19E	20E
Real GDP (%)	4.0	4.0
CPI (%)	7.1	7.4
C/A bal. (% GDP)	-4.5	-3.4
Fiscal bal. (%GDP)	-5.7	-5.2
FX vs \$, YE	na	na
FX vs EUR, YE	na	na

Note: Bloomberg Consensus

Figure 10: Eurobonds (10y or closest) vs US 10y yields

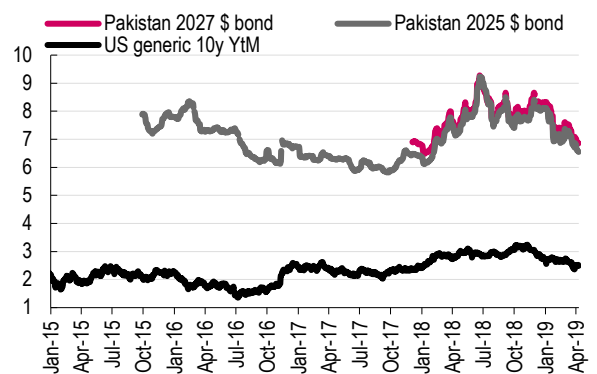


Figure 8: Selected benchmark issues

Name	Amt. Out. (mn cu)	Price Level	Coupon (%)	Dur.	Yield (%)	Z-Sprd. (bps)
<b>Sovereign</b>						
<b>\$</b>						
PKSTAN 7 1/4 04/15/19	1,000	100.07	7.25	0.0	0.9	-168.1
PKSTAN 6 3/4 12/03/19	1,000	101.11	6.75	0.6	5.0	237.2
PKSTAN 5 1/2 10/13/21	1,000	100.55	5.50	2.3	5.3	286.6
PKSTAN 5 5/8 12/05/22	1,000	100.23	5.63	3.2	5.6	320.7
PKSTAN 8 1/4 04/15/24	1,000	108.60	8.25	4.0	6.2	388.5
PKSTAN 8 1/4 09/30/25	500	108.87	8.25	5.0	6.5	417.6
PKSTAN 6 7/8 12/05/27	1,500	100.08	6.88	6.3	6.9	443.6
PKSTAN 7 7/8 03/31/36	300	99.51	7.88	9.2	7.9	536.7

Figure 11: Government bond yields (lcl)

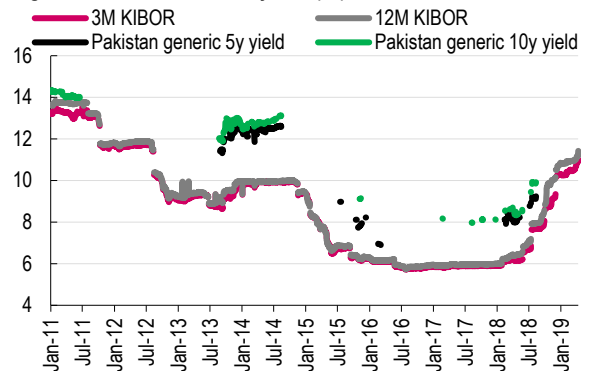


Figure 9: Trade profile

Exports, 2018 (\$bn)	23	Imports, 2018 (\$bn)	60
<b>Geographic share</b>			
Euro area	21%	China	28%
US	18%	EU	6%
China	7%	US	3%
Japan	1%	Japan	3%
<b>Other key countries</b>			
UK	8%	Saudi Arabia	11%
Afghanistan	7%	UAE	11%
UAE	4%	Kuwait	6%
Bangladesh	3%	India	3%
Korea	2%	Indonesia	3%
<b>Product</b>			
Other manufactures	71%	Machinery and transport	27%
Textiles, fabrics and clothing	62%	Fuels	24%
Food items	18%	Other machinery/transport	21%
Chemicals	5%	Other manufactures	15%
Other ores and metals	2%	Chemicals	14%

Figure 12: Currency vs \$ and Euro and REER (Dec 07 = 100)

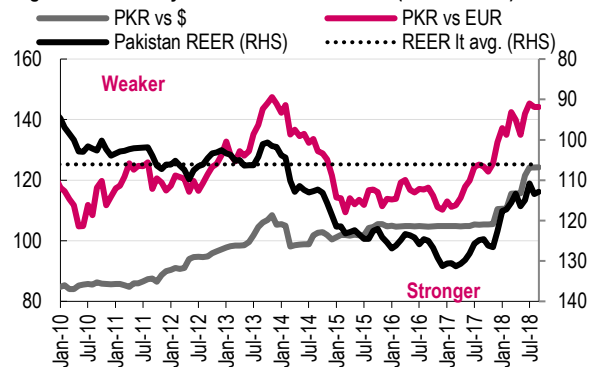
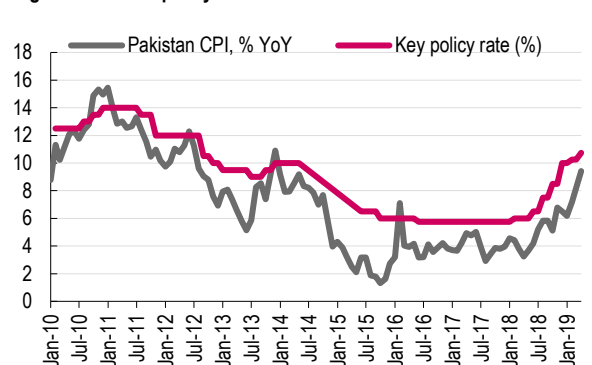


Figure 13: CPI vs policy rate



Source for all tables and charts: Bloomberg, Bruegel, IMF, UNCTAD





# Pakistan

Figure 14: Pakistan key economic indicators

Ratings (M/S&P/F) B3/B-/B- EODB Rank: 136 (147) - Weak Corruption Rank: 117 (117) - Middle RenCap Legal score: 13 (13) - Weak

Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019E	2020E
<b>Activity</b>													
Real GDP (% YoY)	5.0	0.4	2.6	3.6	3.8	3.7	4.1	4.1	4.6	5.4	5.2	2.9	2.8
Investment (% GDP)	19.2	17.5	15.8	14.1	15.1	15.0	14.6	15.7	15.7	16.1	16.4	15.4	14.6
Unemployment rate year-end (%)	5.2	5.5	5.6	6.0	6.0	6.0	6.0	5.9	6.0	6.0	6.1	6.1	6.2
Nominal GDP (lcl bn)	10,638	13,200	14,867	18,276	20,047	22,386	25,169	27,443	29,076	31,963	34,396	37,724	41,030
Nominal GDP (\$bn)	171	168	177	214	224	231	244	271	279	305	313	278	270
Population (mn)	165	168	172	175	179	183	186	190	194	197	201	205	209
GDP per capita (\$)	1,038	998	1,032	1,218	1,254	1,267	1,312	1,425	1,440	1,546	1,555	1,358	1,294
Stock of bank credit (lcl, bn)	3,057	2,999	3,183	3,313	3,396	3,608	3,924	4,222	4,805	5,444	6,518	na	na
Lending/GDP (%)	28.7	22.7	21.4	18.1	16.9	16.1	15.6	15.4	16.5	17.0	19.0	na	na
Gross domestic saving (% of GDP)	11.1	12.0	13.6	14.2	13.0	13.9	13.4	14.7	13.9	12.0	10.3	10.2	10.3
<b>Prices</b>													
CPI (average % YoY)	12.0	19.6	10.1	13.7	11.0	7.4	8.6	4.5	2.9	4.1	3.9	7.6	7.0
CPI (year-end, % YoY)	21.5	11.0	11.8	13.3	11.3	5.9	8.2	3.2	3.2	3.9	5.2	8.4	6.8
<b>Fiscal balance (% of GDP)</b>													
Consolidated government balance	-7.5	-5.0	-6.0	-6.7	-8.6	-8.4	-4.9	-5.3	-4.4	-5.8	-6.5	-7.2	-8.7
Primary government balance	-2.9	-0.2	-1.7	-2.9	-4.2	-3.9	-0.3	-0.5	-0.1	-1.5	-2.1	-1.7	-2.2
Total public debt (% of GDP)	57.2	58.5	60.6	58.9	63.2	63.9	63.5	63.3	67.6	67.0	72.1	77.0	79.1
<b>External indicators</b>													
Exports (\$bn)	20.2	17.5	21.5	25.4	24.8	25.2	24.7	22.1	20.5	21.5	23.5	na	na
Imports (\$bn)	42.3	31.6	37.5	43.6	43.8	43.8	47.5	44.0	47.0	57.3	60.4	na	na
Trade balance (\$bn)	-22.1	-14.1	-16.1	-18.1	-19.0	-18.6	-22.8	-21.9	-26.5	-35.8	-36.9	na	na
Trade balance (% of GDP)	-12.9	-8.4	-9.1	-8.5	-8.5	-8.0	-9.3	-8.1	-9.5	-11.7	-11.8	na	na
Current account balance (\$bn)	-13.9	-9.3	-3.9	0.2	-4.7	-2.5	-3.1	-2.7	-4.9	-12.6	-19.0	-14.5	-11.5
Current account balance (% of GDP)	-8.1	-5.5	-2.2	0.1	-2.1	-1.1	-1.3	-1.0	-1.7	-4.1	-6.1	-5.2	-4.3
Net FDI (\$bn)	5.4	2.3	2.0	1.2	0.9	1.3	1.9	1.6	2.5	2.8	2.8	na	na
Net FDI (% of GDP)	3.2	1.4	1.1	0.5	0.4	0.6	0.8	0.6	0.9	0.9	0.9	na	na
C/A balance plus FDI (% of GDP)	-4.9	-4.1	-1.1	0.6	-1.7	-0.5	-0.5	-0.4	-0.9	-3.2	-5.2	na	na
Exports (% YoY, value)	14	-13	23	18	-3	2	-2	-10	-7	5	9	na	na
Imports (% YoY, value)	30	-25	19	16	1	0	9	-7	7	22	5	na	na
FX reserves (ex gold, US\$bn)	7.2	11.3	14.3	14.5	10.2	5.2	11.8	17.8	19.7	15.8	9.2	na	na
Import cover (months of imports)	2.0	4.3	4.6	4.0	2.8	1.4	3.0	4.9	5.0	3.3	1.8	na	na
<b>External Debt</b>													
Gross external debt YE (\$bn)	38	68	65	66	64	61	64	68	76	89	99	na	na
Gross external debt YE (% of GDP)	22	40	36	31	28	26	26	25	27	29	32	na	na
Gross external debt YE (% of exports)	186	387	300	261	257	242	258	309	368	415	422	na	na
Short-term external debt YE (\$bn)	0	4	4	3	4	5	5	6	7	9	8	na	na
Short-term external debt YE (% of GDP)	0	2	2	2	2	2	2	2	3	3	3	na	na
Short-term external debt YE (% of exports)	0	21	19	13	15	18	22	29	35	41	35	na	na
Short-term external debt to reserves (%)	0	32	29	22	37	88	46	36	36	55	90	na	na
Total debt service (\$bn)	3	3	3	3	5	7	5	4	4	7	7	na	na
Total debt service (% of GDP)	2	2	2	1	2	3	2	1	1	2	2	na	na
Total debt service (% of exports)	14	19	15	11	19	26	19	18	19	33	28	na	na
Total debt service to reserves (%)	38	30	23	20	47	129	41	22	20	45	71	na	na
<b>Currency and monetary policy</b>													
Key policy rate (% YE)	15.0	12.5	14.0	12.0	9.5	10.0	9.5	6.0	5.8	5.8	10.0	na	na
Broad money growth (%YoY)	5.7	14.7	15.0	12.0	17.0	14.7	10.6	13.0	15.6	12.2	11.1	na	na
Exchange rate (€) annual average	92	110	111	119	115	129	137	113	115	118	131	159	185
Exchange rate (\$) annual average	62	79	84	86	89	97	103	101	104	105	110	136	152
<b>Credit rating history</b>													
Moody's	B3	B3	B3	B3	Caa1	Caa1	Caa1	B3	B3	B3	B3	B3	na
Standard & Poor's	CCC+	B-	B-	B-	B-	B-	B-	B-	B	B	B	B-	na
Fitch	-	-	-	-	-	-	-	B	B	B	B-	B-	na

Note: 2019-20E exchange rate forecasts are Renaissance Capital forecasts

Source: IMF, World Bank, UNCTAD, Bloomberg





# Pakistan

Figure 16: Key data

<b>Local Currency</b>	<b>PKR</b>
S&P / Moody's Rating	B-/B3
Weight in MSCI EM (%)	0.0%
<b>MSCI Index</b>	<b>MXPK</b>
2019 P/E	7.2
2019 EPS Growth	34.5%
Trailing P/B	1.1
Beta to EM	0.3
MSCI Full MktCap, \$bn	7.3
MSCI FF MktCap, \$bn	1.7
No. of Companies	3
3M ADTV (\$mn)	4.4
<b>Local Index</b>	<b>KSE</b>
MktCap (\$bn)	53.5
No. of Companies	548
3M ADTV (\$mn)	41.7

Note: EPS growth excludes -ve to +ve earnings changes

Figure 17: Performance, \$ (31 Dec 13 =100)

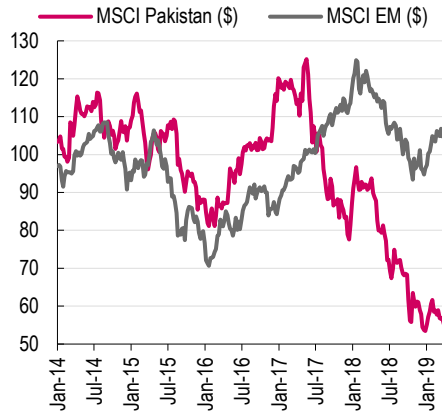


Figure 18: Economic outlook

	GDP/Capita (\$) 19E: 1358				Population, mn 19E: 204.7			
	2017	2018	2019	2020	2017	2018	2019	2020
Real GDP (% YoY)	5.4	5.2	2.9	2.8				
CPI (year-end, %YoY)	3.9	5.2	8.4	6.8				
C/A balance (% of GDP)	-4.1	-6.1	-5.2	-4.3				
Govt. bal. (% of GDP)	-5.8	-6.5	-7.2	-8.7				
Investment (% GDP)	16.1	16.4	15.4	14.6				
Govt. debt (% of GDP)	67.0	72.1	77.0	79.1				
<b>Bloomberg consensus</b>								
Real GDP (% YoY)	5.4	5.2	4.0	4.0				
CPI (year-end, %YoY)	3.9	5.2	6.9	na				
C/A balance (% of GDP)	-4.1	-6.1	-4.5	-3.4				
Key policy rate (year-end)	5.75	10.00	11.25	9.00				
<b>FX</b>								
PKR vs \$	110.5	138.9	na	na				
PKR vs EUR	132.6	159.0	na	na				

Figure 19: 3MADTV, \$mn

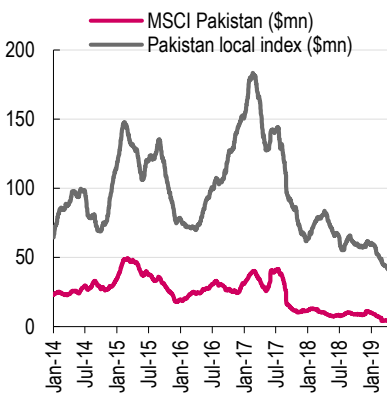


Figure 20: Valuations vs EM, 12M Fwd P/E (x)

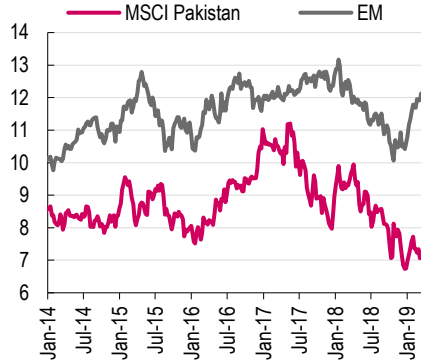


Figure 21: MSCI sector weights

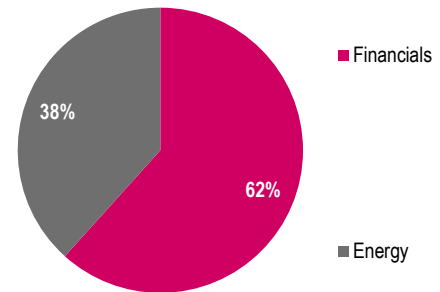


Figure 22: Population, '000

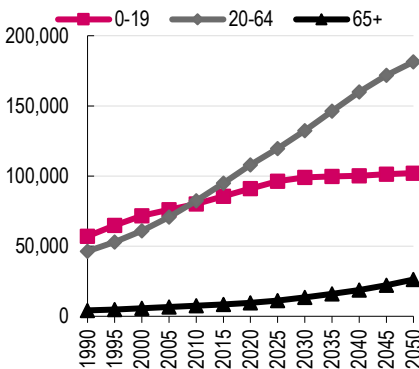


Figure 23: Export destinations, total: \$20.1bn

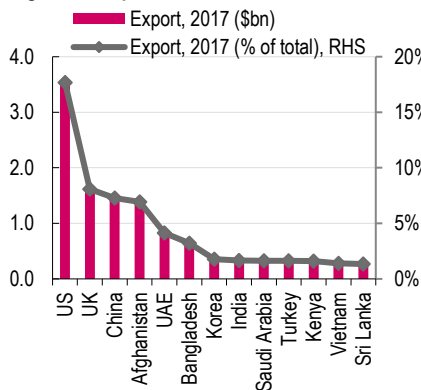
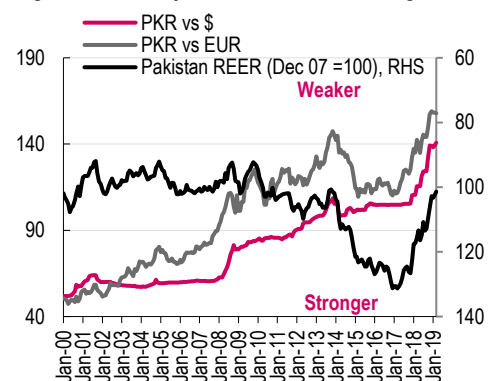


Figure 24: Currency and Real effective exchange rate



Source for all tables and charts: IMF, Bloomberg, MSCI



# Pakistan

Figure 25: Index and key stock data (by free float market cap)

Ticker	Name	Sector	Market cap (\$mn)	Float Mcap (\$mn)	3M ADTV (\$mn)	US\$ performance (%)			12MF P/E (x)	Trail P/B (x)	12MF RoE (%)	12MF DY (%)	# of Analyst recs.	MSCI Weight (%)
						1M	3M	12M						
<b>MXPK</b>	<b>MSCI Pakistan</b>		<b>7,344</b>	<b>1,742</b>	<b>4.4</b>	<b>-4.5</b>	<b>-1.9</b>	<b>-42.6</b>	<b>6.8</b>	<b>1.1</b>	<b>16.1</b>	<b>7.7</b>	<b>48</b>	<b>0.0%</b>
OGDC PK	Oil & Gas Develo	Energy	4,472	668	2.7	0.2	3.8	-31.6	6.0	1.1	16.5	8.2	15	38%
MCB PK	Mcb Bank Ltd	Financials	1,582	554	0.5	-5.0	-3.6	-29.9	8.1	1.5	18.0	8.7	15	32%
HBL PK	Habib Bank Ltd	Financials	1,290	520	1.2	-9.6	-6.8	-53.4	6.7	1.0	13.7	6.1	18	30%
PPL PA	Pakistan Petrole	Energy	2,858	718	1.6	-1.1	6.0	-20.4	7.4	1.6	21.3	6.0	5	na
ENGRO PA	Engro Corp	Materials	1,177	712	1.1	-2.0	-3.4	-18.6	8.4	1.2	12.2	8.8	11	na
LUCK PA	Lucky Cement	Materials	890	558	2.0	-16.4	-17.0	-55.3	9.4	1.2	12.0	3.0	10	na
EFERT PA	Engro Fertilizer	Materials	668	553	0.7	-5.6	-7.3	-19.8	6.3	2.1	32.8	14.0	12	na
BAHL PA	Bank Al Habib Lt	Financials	651	534	0.3	-4.4	4.2	-13.2	7.7	1.8	21.4	5.6	10	na
COLG PA	Colgate Palm Pak	Cons. Staples	794	517	0.0	-5.0	-12.9	-38.3	na	8.0	na	na	na	na
UBL PA	United Bank Ltd	Financials	1,166	459	1.4	-3.1	-3.0	-48.0	6.4	1.0	15.0	8.6	22	na
HUBC PA	Hub Power Co	Utilities	629	429	0.6	-8.7	-16.5	-39.8	4.9	4.2	37.2	9.1	14	na
FFC PA	Fauji Fertilizer	Materials	914	424	0.6	-5.3	3.8	-17.2	8.3	2.2	49.6	9.0	6	na
PMPK PA	Philip Morris Pa	Cons. Staples	1,743	390	0.0	27.1	15.4	10.0	na	113.0	na	na	na	na
POL PA	Pak Oilfields	Energy	907	367	0.6	-5.1	-5.1	-36.6	6.7	3.1	na	13.5	1	na
PSO PA	Pak State Oil	Energy	564	353	0.7	-8.9	-14.9	-39.5	5.2	0.7	11.5	7.5	13	na
PTC PA	Ptcl	Communications	326	326	0.0	-8.4	-11.3	-41.6	8.8	0.5	5.0	na	1	na
BAFL PA	Bank Alfalah Ltd	Financials	566	274	0.3	-4.4	-5.5	-23.8	5.5	1.0	17.3	6.5	15	na
PAKT PA	Pak Tobacco	Cons. Staples	4,729	267	0.0	-3.3	-5.1	10.9	na	37.6	na	na	na	na
NESTLE PA	Nestle Pakistan	Cons. Staples	2,403	262	0.1	-10.4	-11.0	-52.4	na	86.8	na	na	na	na
THALL PA	Thal Ltd	Cons. Disc.	230	230	0.0	-8.4	-13.1	-38.3	6.1	1.5	na	5.6	1	na
PSEL PA	Pak Services	Cons. Disc.	235	210	0.0	3.7	-15.9	-24.1	na	0.9	na	na	na	na
MARI PA	Mari Petroleum C	Energy	1,030	207	0.2	-8.6	-14.6	-28.9	5.4	2.6	37.5	0.5	10	na
SNGP PA	Sui Northern	Utilities	314	196	1.0	-5.9	-18.5	-51.1	5.6	3.3	40.8	7.7	3	na
MTL PA	Millat Tractors	Financials	277	195	0.3	7.7	10.6	-46.4	7.6	6.8	85.9	12.8	3	na
MEBL PA	Meezan Bank Ltd	Financials	799	158	0.6	-6.0	5.8	12.6	7.8	2.7	28.2	4.8	5	na
NML PA	Nishat Mills Ltd	Cons. Disc.	305	151	0.3	-12.2	-11.5	-37.9	7.0	0.5	7.9	4.1	7	na
INDU PA	Indus Motor	Cons. Disc.	700	147	0.2	-10.5	3.7	-44.2	7.3	2.6	31.2	9.5	18	na
NBP PA	Natl Bk Pakistan	Financials	602	147	0.2	-6.7	-11.7	-37.0	4.8	0.4	7.6	15.0	11	na
KAPCO PA	Kot Addu Power	Utilities	261	141	0.2	-9.9	-15.8	-42.0	2.7	0.9	32.6	28.3	na	na
HMB PA	Habib Metro Bank	Financials	295	137	0.1	-2.8	-12.9	-26.5	5.8	1.1	15.9	8.3	4	na
SEARL PA	Searle Pakistan	Healthcare	314	134	1.3	-16.4	-15.9	-46.3	13.9	3.9	22.4	3.6	3	na
ABL PA	Allied Bank Ltd	Financials	856	132	0.2	-5.0	-4.9	-12.3	7.6	na	14.7	8.0	14	na
FATIMA PA	Fatima Fertilize	Materials	438	132	0.0	-7.7	-15.7	-26.3	4.3	0.9	17.1	13.5	7	na
DGKC PA	Dg Khan Cement	Materials	243	126	1.4	-13.4	-9.7	-61.6	8.4	0.5	5.1	3.5	12	na
BWCL PA	Bestway Cement	Materials	434	126	0.0	-13.9	-12.6	-47.4	6.4	1.1	13.7	10.7	1	na
PKGS PA	Packages Ltd	Materials	204	125	0.1	-11.4	-14.1	-54.6	19.6	0.5	3.0	na	1	na
SSGC PA	Sui Southern	Utilities	125	125	0.3	-12.3	-22.0	-55.2	4.0	1.3	na	na	1	na
FABL PA	Faysal Bank Ltd	Financials	228	108	0.1	-8.6	-13.0	-33.1	4.3	0.7	15.7	5.7	4	na
PIAB PA	Piac-B	Industrials	107	107	na	na	na	na	na	na	na	na	na	na
BOP PA	Bank Punjab	Financials	239	102	1.2	-8.7	0.3	9.6	3.7	1.0	20.5	3.1	9	na
KEL PA	K-Electric Ltd	Utilities	1,028	95	0.4	-13.4	-15.8	-37.1	200.6	0.9	-0.5	na	1	na
RMPL PA	Rafhan Maize	Cons. Staples	415	93	0.0	-9.6	-3.6	-38.2	na	4.5	na	na	na	na
INIL PA	Intl Indus	Materials	97	93	0.2	-18.3	-24.4	-67.8	5.3	1.0	14.0	na	2	na
FCCL PA	Fauji Cement Co	Materials	174	89	0.5	-16.4	-19.3	-54.3	7.3	1.2	16.1	10.3	14	na
ABOT PA	Abbot Labs Pak	Healthcare	398	88	0.1	-9.0	-5.0	-33.2	na	3.5	na	na	na	na
EPCL PA	Engro Polymer	Materials	207	85	0.6	-13.2	-19.6	-24.0	6.4	na	21.0	5.5	7	na
GHGL PA	Ghani Glass	Materials	189	84	0.0	-1.3	-3.1	-23.8	na	1.4	na	na	na	na
FML PA	Feroze 1888 Mill	Cons. Disc.	273	79	0.1	-2.0	6.5	24.5	10.4	2.2	20.0	4.9	na	na
AGP PA	Agp Ltd/Pk	Healthcare	157	77	0.1	-3.9	-9.9	-33.1	na	na	na	na	na	na
SNBL PA	Soneri Bank Ltd	Financials	79	74	0.1	-19.6	-19.8	-33.6	na	0.6	na	na	na	na
DAWH PA	Dawood Hercules	Materials	419	73	0.1	-0.3	4.1	-21.9	na	0.9	na	na	na	na
FFBL PA	Fauji Fertilizer	Materials	218	69	0.2	-15.9	-14.5	-39.3	9.9	1.9	17.2	6.6	3	na
TRG PA	Trg Pakistan	Industrials	82	69	0.8	-10.6	-13.6	-53.0	na	na	na	na	na	na
MLCF PA	Maple Leaf Ceme	Materials	152	68	0.9	-20.9	-29.5	-66.0	5.8	0.6	9.1	7.4	12	na

Source: MSCI, Bloomberg

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