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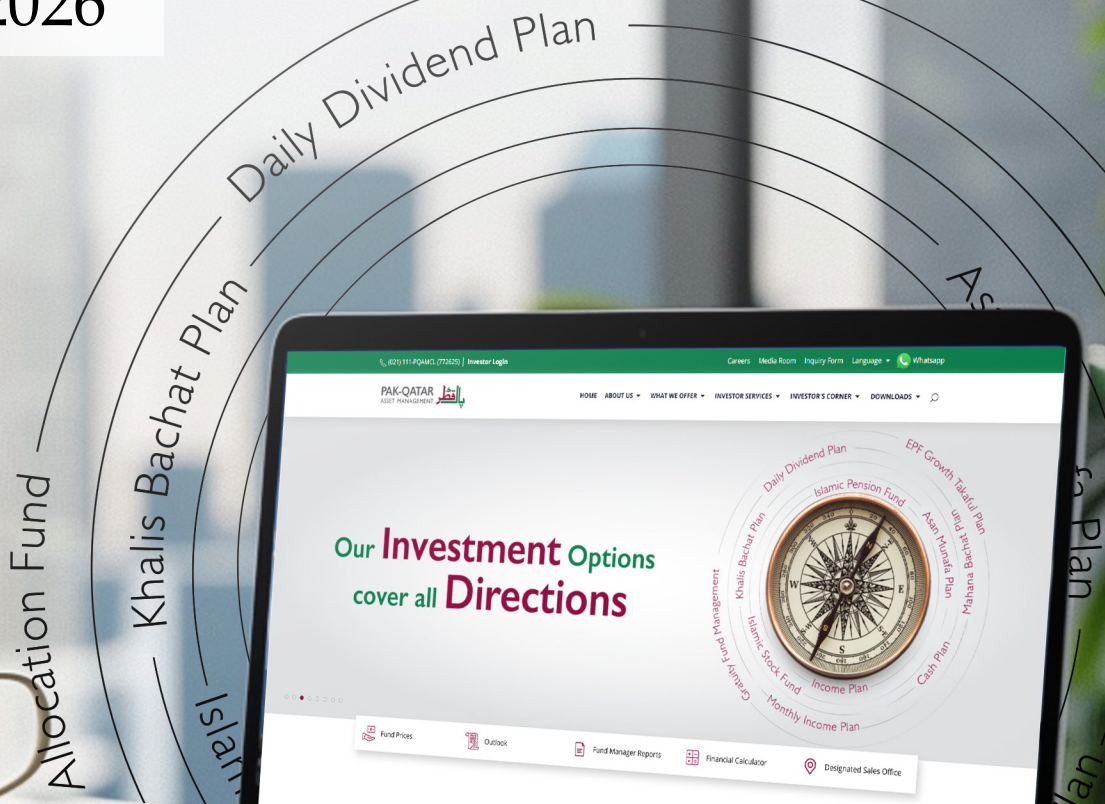
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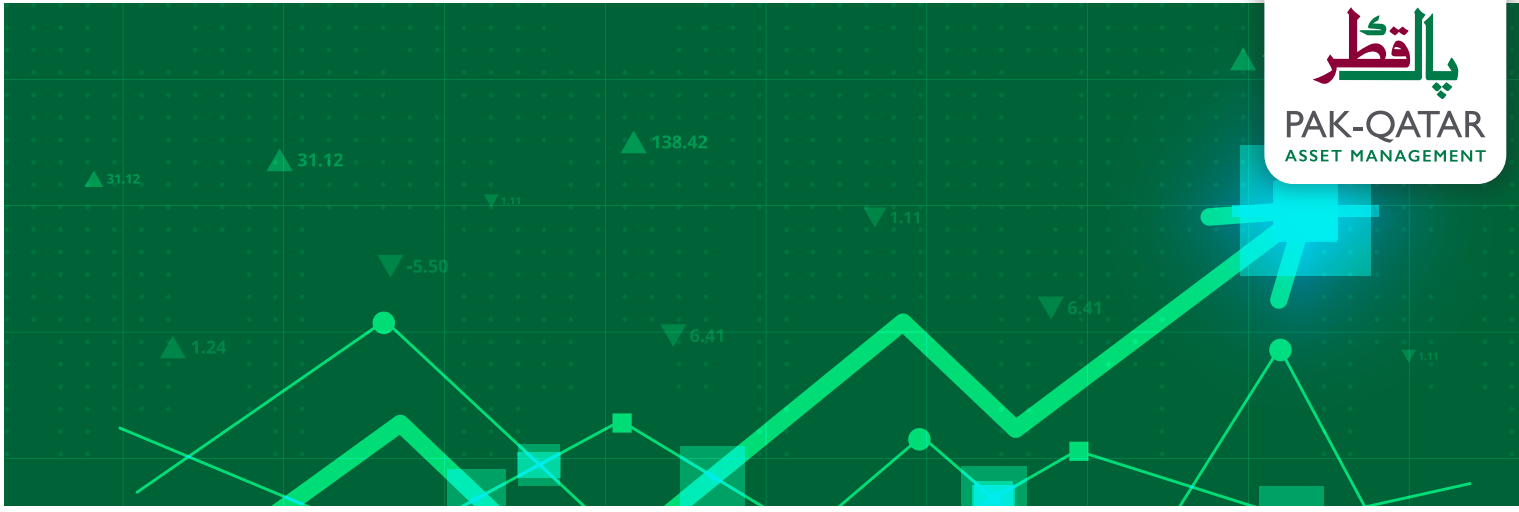
پاک قطر

PAK-QATAR
ASSET MANAGEMENT

INVESTOR'S OUTLOOK

June 15, 2026





Pak-Qatar Asset Management Company Limited

Keynote June 15, 2026

Market Summary

	15-Jun-26	MTD	30days	90days	FYTD	CYTD
KSEI00	177,040	1.77%	6.9%	18.0%	40.9%	1.7%
KMI30	253,475	1.19%	6.1%	18.0%	37.1%	2.0%
KMIAll	69,155	1.93%	5.9%	18.7%	28.6%	1.9%

Global Markets

	15-Jun-26	MTD	30days	90days	FYTD	CYTD
UK	10,431	0.2%	-2.3%	-0.3%	-16.0%	-4.8%
USA	26,684	-1.1%	-1.7%	-15.8%	-23.7%	-12.9%
China	4,096	0.7%	1.0%	-1.1%	-15.9%	-3.1%
Japan	69,400	4.7%	-11.5%	-21.8%	-41.9%	-27.5%
India	76,264	2.0%	-1.3%	-0.3%	9.6%	11.7%

Portfolio Investments (USD mn)

	15 days	30 days	90 days	365days	FYTD	CYTD
EQUITY						
FIPI (net)	(16)	(33)	(47)	(698)	(682)	(431)
LIPI (net)	16	33	47	698	682	431
Ind.	26	16	111	394	380	159
Banks/DFIs	(1)	(1)	(53)	(177)	(167)	(49)
Companies	0	(1)	13	363	356	275
M.Funds	(4)	0	16	355	349	99
Brokers	2	1	6	(9)	(9)	(18)
Others	(7)	(6)	(14)	(49)	(46)	16
Ins.	(1)	22	(34)	(184)	(185)	(7)
NBFC	0	1	1	5	5	2

Key Economic Figures

		FY21	FY22	FY23	FY24	FY25	FY26-TD
Policy Rate	15-Jun-26	7.0%	13.8%	22.0%	20.5%	11.0%	11.50%
1yr KIBOR	15-Jun-26	8.1%	15.7%	23.3%	19.2%	11.3%	12.83%
Inflation	May End	9.8%	21.3%	29.4%	12.6%	3.20%	11.70%
PKR USD*	15-Jun-26	157.3	204.8	286.0	279.0	283.7	278.31

Key Economic Figures

		FY21	FY22	FY23	FY24	FY25	FY26-TD
Imports	USD'mn	56,380	72,048	51,979	48,402	59,076	52,753
Exports	USD'mn	25,304	32,450	27,903	28,678	32,296	25,824
Trade Deficit	USD'mn	(31,076)	(39,598)	(24,076)	(19,724)	(26,780)	(26,929)
Remittances	USD'mn	29,370	31,238	27,028	27,093	38,346	38,109
FX Reserves	USD'mn	24,398	15,742	9,181	14,207	18,091	22,672

PKRV Rates (change in bps)

	Rate %	15day Δ	1m Δ	3m Δ	6m Δ	12m Δ
PKRV 1Y	12.20	(32)	(26)	56	157	123
PKRV 3Y	12.22	(40)	(46)	65	141	97
PKRV 5Y	12.13	(24)	(74)	10	112	53
PKRV 10Y	12.51	(24)	(60)	3	86	31
PKRV 20Y	12.84	(14)	(44)	15	78	50

*Inter Bank Rate

KSEI00 Index Top Ten Sector Details (on Free Float Market Capitalization)

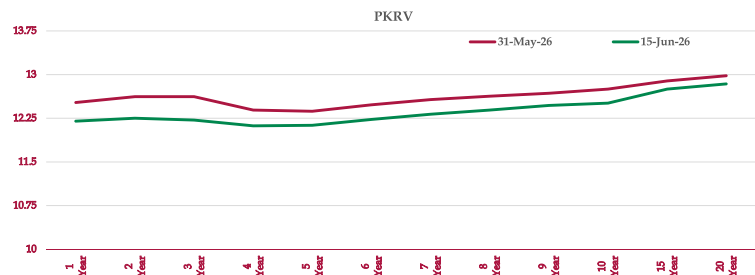
SECTORS	Index Weight (%)	Current Market Cap (PKR 'Bn)	Previous Market Cap (PKR 'Bn)	Change (%) in Market Cap
COMMERCIAL BANKS	24	1,498	1,462	2.44
FERTILIZER	7	612	604	1.25
OIL & GAS EXPLORATION COMPANIES	15	616	606	1.72
CEMENT	7	447	424	5.37
CHEMICAL	2	50	50	0.60
OIL & GAS MARKETING COMPANIES	2	133	131	1.88
PHARMACEUTICALS	2	109	104	4.32

Commentary

Economic Review: The State Bank of Pakistan (SBP) maintained the policy rate at 11.50% in its June 2026 Monetary Policy Statement, citing a broadly unchanged macroeconomic outlook despite rising inflationary pressures. Headline inflation increased to 11.7% in May 2026 due to higher energy and food prices, while core inflation also edged upward. Economic growth remained positive, with FY26 GDP growth estimated at 3.7%, supported by the services and industrial sectors. The external sector remained stable, aided by strong remittances, IMF inflows, and an increase in SBP's foreign exchange reserves to US\$17.2 billion. The SBP expects inflation to remain in double digits in the near term before gradually easing and believes the current monetary stance is appropriate to achieve medium-term price stability. Looking ahead, the recently announced US-Iran peace deal, which is expected to facilitate the reopening of the Strait of Hormuz, has already led to a notable decline in global oil prices and reduced energy market volatility. This development is positive for Pakistan as a net oil-importing country, potentially easing imported inflation, improving the current account balance, lowering fuel import costs, and reducing pressure on the exchange rate. Consequently, the peace agreement may support Pakistan's macroeconomic stability and strengthen the inflation outlook in the coming months. Meanwhile, the recently announced FY27 Federal Budget aims to consolidate macroeconomic stability, targeting 4.0% GDP growth, 8.2% average inflation, a fiscal deficit of 3.6% of GDP, and a primary surplus of 2.0% of GDP. The budget also includes tax relief measures for salaried individuals, lower taxes on property transactions, and incentives for businesses and exporters, reflecting the government's objective of transitioning from economic stabilization toward sustainable growth while remaining compliant with IMF commitments.

In the T-bill auction held on June 10, 2026, the government raised PKR 1,901.8bn against a total face value of PKR 1,962.3bn, reflecting healthy participation across all tenors. The allotments and yields were as follows: the 1-month tenor cleared at a cut-off yield of 12.1892% (W.A.Y: 12.0963%), the 3-month at 12.4988% (W.A.Y: 12.3863%), the 6-month at 12.4901% (W.A.Y: 12.4809%), and the 12-month at 12.9895% (W.A.Y: 12.9079%). The majority of participation remained concentrated in shorter-duration papers, particularly 1-month and 3-month T-bills, indicating continued investor preference for short-term instruments. In the GoP Hybrid Sukuk auction, the government issued 1-Year Fixed Rate Discounted Sukuk and reopened the 10-Year Variable Rental Rate Sukuk. The 1-Year FRR Sukuk cleared at a cut-off yield of 12.8896%, while the 10-Year VRR Sukuk remained discounted with a positive spread of 35bps, reflecting participation across both short and long-duration Shariah-compliant instruments.

Stock Market Review: On a fortnightly basis, the equity market closed on a positive note, with the KSE-100 Index gaining 1.77% and the KMI-30 Index advancing 1.19%, reflecting improved investor sentiment following the volatility witnessed in the previous period. The recovery was supported by easing geopolitical tensions in the Middle East as well as favorable budgetary developments. The relaxation in super tax, dismissal of rumors regarding the imposition of taxes on capital markets, continuation of the Export Finance Scheme, and removal of the export development surcharge for textile exporters contributed to improved market sentiment. Furthermore, the government's allocation toward housing finance and the reduction in taxes on property transactions are expected to support the Cement sector. The recovery was also aided by attractive valuations and renewed buying interest, with Cement, Pharmaceuticals, and Commercial Banks leading market performance. Foreign investors remained net sellers, recording net outflows of USD 16.26 million; however, strong participation from local individuals and broker proprietary accounts provided support to the market. Going forward, market sentiment is expected to remain supported by easing geopolitical tensions following the US-Iran ceasefire and improving regional stability.



15-Jun-26

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Note on Finance Bill 2026-27



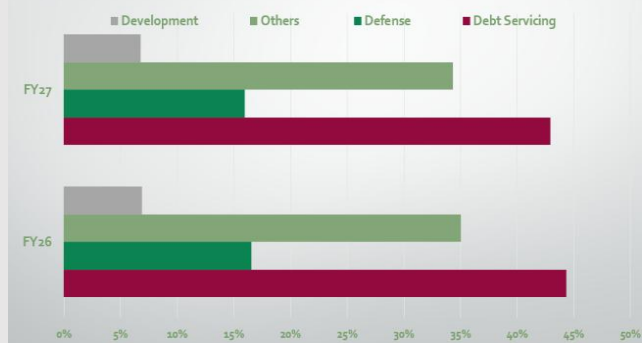
Budget Overview 2026 - 2027

Despite rumors of heavy taxes, Federal gov. was able to table the Finance Bill 2026-27 with a balance approach. The Government of Pakistan presented the Federal Budget for FY2026-27 on 12th June 2026, budgeting Gross Revenue Receipts of Rs. 20,600 billion (up 14% year-on-year), anchored by an ambitious FBR tax target of Rs. 15,264 billion (up 17.6%), while Non-Tax Revenue of Rs. 5,336 billion masks a sharp 41% decline in SBP surplus profits partly offset by a new Rs. 1,035 billion provincial grants line of uncertain realizability. On the expenditure side, total spending is projected at Rs. 18,772 billion (up 20%), with interest payments alone consuming Rs. 8,054 billion nearly 43% of net federal resources alongside defense at Rs. 3,000 billion and BISP social protection at Rs. 845 billion, Development spending at Rs. 1,277 billion. The federal budget deficit widens to Rs. 7,020 billion (up 36%), moderating to an overall deficit of Rs. 5,226 billion after incorporating a provincial surplus of Rs. 1,794 billion, while the primary surplus the key IMF benchmark narrows to Rs. 2,828 billion. Key concern in Finance Bill still reflects expenditure growing faster pace than revenue. Debt servicing consumes major portion of revenues.

Budgetary Outlay

Rs bn	FY26 Revised	FY27 Budget	YoY from FY26 R	YoY from FY26 R
Gross Revenue Receipts	18,076	20,600	14%	2,525
Tax Revenue (FBR)	12,983	15,264	18%	2,282
Income Tax	6,331	7,480	18%	1,149
Customs Duties	1,366	1,651	21%	285
Sales Tax	4,334	4,927	14%	593
Federal Excise	851	1,073	26%	222
Other taxes	101	133	32%	32
Non-Tax Revenue	5,093	5,336	5%	243
Petroleum Levy	1,498	1,676	12%	178
SBP Profit	2,428	1,435	-41%	(993)
Grants/Receipts from Provinces	0	1,035	NM	1,035
Dividends	201	130	-35%	(71)
Others	966	1,060	10%	94
Less Provincial Share	7,592	8,848	17%	1,256
Net Revenue Receipts	10,484	11,752	12%	1,269
Expenditure	15,642	18,772	20%	3,130
Current	15,006	17,495	17%	2,489
Interest Payments	6,937	8,054	16%	1,117
Pension	1,055	1,169	11%	114
Defence Affairs & Services	2,588	3,000	16%	412
Subsidies	1,157	1,091	-6%	(66)
Others	3,269	4,181	28%	912
Development & Net Lending	636	1,277	101%	641
Federal Budget balance	(5,158)	(7,020)	36%	(1,861)
Provincial surplus	1,379	1,794	30%	415
Overall balance	(3,779)	(5,226)	38%	(1,446)
Primary balance	3,158	2,828	-10%	(329)

Expenditures Breakup



Budgetary Outlay- % of GDP

	FY26 Revised	FY27 Budget	YoY from FY26 R
GDP (Rs bn)	126,870	143,604	
% of GDP			
Gross Revenue Receipts	14.2%	14.3%	10 bp
Tax Revenue (FBR)	10.2%	10.6%	40 bp
Non-Tax Revenue	4.0%	3.7%	-30 bp
Expenditure	12.3%	13.1%	74 bp
Current	11.8%	12.2%	36 bp
Interest Payments	5.5%	5.6%	14 bp
Development & Net Lending	0.5%	0.9%	39 bp
Overall balance	-3.0%	-3.6%	-66 bp
Primary balance	2.5%	2.0%	-52 bp

Macroeconomic Outlook

The budget reflects a focus on macroeconomic stabilization, tax reforms, and improving industrial competitiveness. Under IMF Extended Fund Facility, the government targets GDP growth of 3.7%, up from 3.18% last year, while aiming to expand the primary surplus to 3.2% of GDP and reduce the fiscal deficit to 0.7% of GDP. However, concerns remain regarding inflation, declining foreign direct investment (FDI), high fiscal financing requirements, and the ambitious tax revenue target of Rs. 15.3 trillion.

To support the private sector, the government has introduced several tax relief measures, including the abolition of the super tax for businesses earning below Rs. 500 million, rationalization of withholding tax rates, a reduction in foreign card transaction tax from 5% to 0.5%, and the continuation of the 0.25% tax rate for IT exporters until 2029. A fixed tax regime for small retailers has also been introduced to encourage documentation and broaden the tax base.

Furthermore, measures to enhance industrial competitiveness include customs duty rationalization across multiple tariff lines, reductions in additional customs duties, exemptions on agricultural machinery, and relief on cancer-related pharmaceutical inputs. These initiatives are aimed at lowering the cost of doing business, improving industrial productivity, and supporting export growth.

Insurance Sector – Key Tax Changes (Budget 2026-27)

A new section was introduced for Insurance/Takaful policies which cleared ambiguities regarding tax incidence and tax collection for policyholders.

1-Tax arising on withdrawal on any gains generated on life insurance proceeds (amount received exceeding total premiums paid)

15% tax if policy matures within 1 year of issuance.

10% tax if maturity occurs between 1-7 years.

Exemptions:

Death claims

Disability claims

Policies held for more than 7 years

2. Insurance Companies as Withholding Agents

Insurance companies will be responsible for deducting and depositing the tax at source.

Tax treated as a final withholding tax for policyholders.

SWOT Analysis

The budget reflects a focus on macroeconomic stabilization, tax reforms, and improving industrial competitiveness. Under the IMF Extended Fund Facility, the government targets GDP growth of 3.7%, up from 3.18% last year, while aiming to expand the primary surplus to 3.2% of GDP and reduce the fiscal deficit to 0.7% of GDP. However, concerns remain regarding inflation, declining foreign direct investment (FDI), high fiscal financing requirements, and the ambitious tax revenue target of Rs. 15.3 trillion.

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