

# Day Break

Tuesday, April 28, 2026



Monetary Policy History		
Date	Stance	Policy Rate
27-Apr-26	+100bps	11.5%
09-Mar-26	Status Quo	10.5%
26-Jan-26	Status Quo	10.5%
15-Dec-25	-50bps	10.5%
27-Oct-25	Status Quo	11.0%
15-Sep-25	Status Quo	11.0%
30-Jul-25	Status Quo	11.0%
16-Jun-25	Status Quo	11.0%
5-May-25	-100bps	11.0%
10-Mar-25	Status Quo	12.0%
27-Jan-25	-100 bps	12.0%
16-Dec-24	-200 bps	13.0%
04-Nov-24	-250 bps	15.0%
12-Sep-24	-200 bps	17.5%
29-Jul-24	-100 bps	19.5%
10-Jun-24	-150 bps	20.5%
29-Apr-24	Status Quo	22.0%
18-Mar-24	Status Quo	22.0%
29-Jan-24	Status Quo	22.0%
12-Dec-23	Status Quo	22.0%
30-Oct-23	Status Quo	22.0%
14-Sep-23	Status Quo	22.0%
31-Jul-23	Status Quo	22.0%
26-Jun-23	Status Quo	22.0%
12-Jun-23	+100 bps	22.0%

Source: SBP, IGI Research

## Economy

### SBP Raised Policy Rate by 100bps to 11.5%

- In the latest Monetary Policy Announcement ([link](#)), the State Bank of Pakistan (SBP) decided to raise Policy Rate by 100bps to 11.5%. To note, this is the first rate increase since Jun-23. Since Jun-24 SBP had cumulatively cut interest rates by 1150bps. MPC noted that prolonged Middle East conflict has intensified risks to macroeconomic outlook especially energy prices, freight costs and insurance premiums which remain above pre-conflict level. Although data remains broadly in line with expectations, these global developments are likely to impact key economic indicators going forward.
- In light of these developments, MPC assessed that inflation is likely to increase and remain above SBP's target range in next few quarters. Thus, MPC deemed tighter policy stance as necessary to anchor inflation expectations and contain second round impact of supply shocks. The Committee highlighted that this was crucial in maintaining macroeconomic stability which is vital for sustainable economic growth.
- Although inflation is expected to rise above SBP's target range, external outlook remains stable with only marginal decline remittances. Thus 100bps increase was appropriate in ensuring price stability. Banking sector is likely benefit from higher interest rate especially mid-tiers banks while E&P sector is likely to remain insulated. Within cyclical sector, impact is likely to be mixed with DGKC, MLCF, FCCL, ILP and AGP having negative impact while LUCK, KOHC, CHCC, INDU, FFC, EFERT GAL to have positive earnings impact.

### SBP keeps Policy Rate unchanged at 11.5%

In the latest Monetary Policy Announcement ([link](#)), the State Bank of Pakistan (SBP) decided to raise Policy Rate by 100bps to 11.5%. To note, this is the first rate increase since Jun-23. Since Jun-24 SBP had cumulatively cut interest rates by 1150bps. MPC noted that prolonged Middle East conflict has intensified risks to macroeconomic outlook especially energy prices, freight costs and insurance premiums which remain above pre-conflict level. Although data remains broadly in line with expectations, these global developments are likely to impact key economic indicators going forward. In light of these developments, MPC assessed that inflation is likely to increase and remain above SBP's target range in next few quarters. Thus, MPC deemed tighter policy stance as necessary to anchor inflation expectations and contain second round impact of supply shocks. The Committee highlighted that this was crucial in maintaining macroeconomic stability which is vital for sustainable economic growth.

#### Analyst

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Exhibit: Monetary Policy Rate Decision			
	Current	Previous	Chg. (bps)
<b>Target Policy Rate</b>	<b>11.50%</b>	<b>10.50%</b>	<b>+100bps</b>
Discount rate (Ceiling Rate)	12.50%	11.50%	+100bps
Floor Rate	10.50%	9.50%	+100bps

Source: SBP, IGI Research

The Committee noted few key developments since last MPC meeting other than geopolitical developments. Inflation accelerated to 7.3%/y in Mar-26 with core inflation rising to 7.8%/y. Consumer and business confidence along with inflation expectation deteriorated in the latest surveys. Moreover, real GDP increased by 3.8% in 1HFY26 compared to 1.9% in the same period last year. C/a also posted a marginal surplus in 9MFY26 while SBP's reserves stood at around US\$ 15.8bn supported by issuance of Eurobond despite significant debt repayments. Pakistan also reached Staff Level Agreement with IMF on 27-Mar-26.

Considering these evolving risks and developments, MPC's decision to increase Policy Rate remains important in ensuring price stability over the medium term. MPC emphasized that role of continued build-up of external buffers and fiscal discipline as these efforts have contributed to stronger initial economic conditions at the start of the conflict as compared to similar shocks in the recent past. The Committee also emphasized continued structural reforms key in making external accounts more resilient and in ensuring sustainable economic growth.

Exhibit: National CPI Heat Map												
	Mar-26	Feb-26	Jan-26	Dec-25	Nov-25	Oct-25	Sep-25	Aug-25	Jul-25	Jun-25	May-25	Apr-25
<b>General</b>	<b>7.3</b>	<b>7.0</b>	<b>5.8</b>	<b>5.6</b>	<b>6.1</b>	<b>6.2</b>	<b>5.6</b>	<b>3.0</b>	<b>4.1</b>	<b>3.2</b>	<b>3.5</b>	<b>0.3</b>
Food	3.5	5.8	3.9	3.2	5.5	5.6	5.0	-1.8	0.9	2.6	3.1	-4.8
Transport	12.5	0.4	2.6	4.9	6.1	6.7	4.2	2.5	2.7	0.6	-2.5	-3.9
Utility/Rent	11.5	9.7	7.3	6.9	5.3	4.2	3.7	3.6	3.6	-3.3	-2.5	-2.6
Essentials	6.4	6.6	6.6	6.8	6.9	8.3	8.4	8.5	8.5	9.1	9.6	9.6
Disc.	8.5	8.7	8.1	7.9	7.6	8.0	7.2	7.3	7.6	8.2	8.3	8.1

Source: PBS, IGI Research

### Key takeaways from analyst briefing

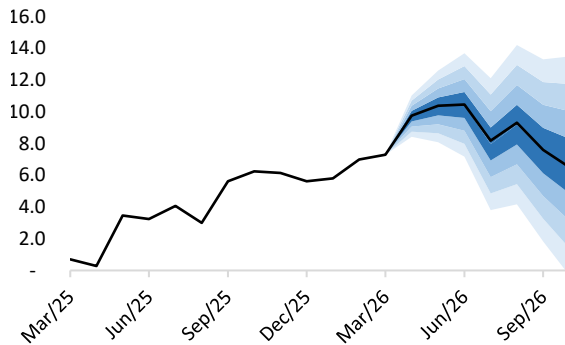
SBP in its post MPS briefing highlighted key updates, which included:

- C/a surpluses during Feb and Mar 2026 have led to a marginal surplus during 9MFY26 mainly supported by higher remittances. As a result the C/a balance is likely to remain closer to the lower bound of the earlier projected range despite challenging external environment. On the financial account side, Government has proactively raised external financing through bilateral arrangements and issuance of Eurobond which has cushioned the impact of debt repayments on SBP's FX reserves. SBP's FX reserves are now expected to stand above US\$ 18bn by Jun-26. However, the Committee emphasized the need to further strengthen FX buffers in light of uncertain global outlook.

- Real GDP was provisionally recorded at 3.9% in 2QFY26 with total growth standing at 3.8% in 1HFY26. This reflects a broad based improvement in economic activity against same period last year. LSM also posted robust performance by posting 5.9% growth in 8MFY26. High frequency indicators for industrial and services sector showed moderation in Mar-26, which was depicting strong momentum during 8MFY26. Wheat production is anticipated to be lower than initial expectation leading to moderation in growth prospects within agriculture sector. These factors along with spillover effects of Middle East conflict on industrial and services sector is likely to keep real GDP growth for FY26 closer to lower bound of earlier projected range. This moderation in growth is likely to continue in FY27 subject to intensity and duration of ongoing conflict.
- Broad money growth decelerated to 14.5% as of 10-Apr-26 from 16.0% on 10-Feb-26. This moderation is mainly due to decline in net budgetary borrowing from banking system. Credit to private sector continues to grow, up by 13%, in line with improvement in economic activity and lagged impact of earlier policy rate cuts. Sector-wise flows were concentrated in textiles, wholesale, and retail trade and chemicals while rise in consumer financing points to recovery in household demand. On liability side, currency in circulation and deposits decelerated since last MPC meeting.
- Pakistan has largely repaid all the external debt due for FY26 according to SBP Governor. Debt repayments for FY26 stood at US\$ 25.4bn. Out of these, US\$ 21.2bn has either been repaid or rolled over. Out of the remaining US\$ 4.2bn, US\$ 2.7bn is expected to be rolled over while US\$ 1.5bn will be repayable over May-Jun, 2026. SBP remains confident in achieving US\$ 18bn reserve target by Jun-26 which translates in to import cover of nearly 3 months.
- Based on stress test working, remittances are likely to decline by US\$ 1bn due to ongoing Middle East Conflict and stand at US\$ 41bn for FY26. Remittance inflows for Apr-26 have also been more or less at normal levels.
- SBP highlighted that economic activity remains resilient however, outlook has become uncertain.
- Yields and spreads on domestic and Eurobonds are reverting back to pre-war levels. Better macroeconomic conditions at the start of the conflict has supported in absorbing most the ongoing supply shocks on the economy.

- SBP cannot impose administrative controls on trade flows as Trade Liberalization is part of Government policies and also commitments made to IMF and other creditors.
- The FX market continues to depict stability and the SBP would like this to continue going forward.

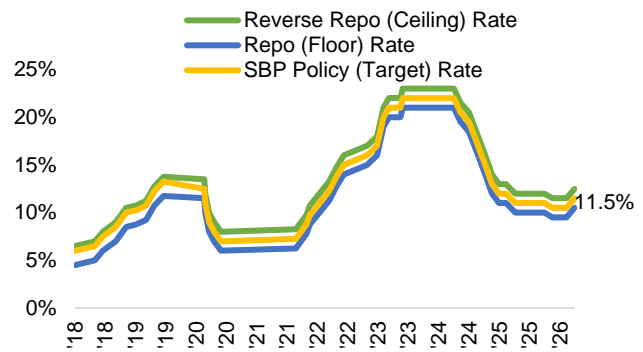
**Exhibit: CPI likely to pick up gradually going forward**



Source: SBP, PBS, IGI Research

**Exhibit: Pakistan Policy Rate (historical)**

SBP increases rate by 100bps in Apr-26. (Source: SBP)



### Outlook

Although inflation is expected to rise above SBP's target range, external outlook remains stable with only marginal decline remittances. Thus 100bps increase was appropriate in ensuring price stability. Banking sector is likely benefit from higher interest rate especially mid-tiers banks while E&P sector is likely to remain insulated. Within cyclical sector, impact is likely to be mixed with DGKC, MLCF, FCCL, ILP and AGP having negative impact while LUCK, KOHC, CHCC, INDU, FFC, EFERT GAL to have positive earnings impact.

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