Day Break

Tuesday, July 28, 2026

Monetary Policy History

Date	Stance	Policy Rate
27-Jul-26	Status Quo	11.5%
15-Jun-26	Status Quo	11.5%
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

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Economy

SBP Keeps Policy Rate Unchanged at 11.5%

- In the latest Monetary Policy Announcement (link), the State Bank of Pakistan (SBP) decided to keep Policy Rate unchanged at 11.5%. To note, MPC last increased Interest Rates by 100bps in Apr-26 meeting. MPC noted that macroeconomic outlook has improved since MPC meeting though risks remain high amid resurgence of Middle East Conflict.
- De-escalation in tensions previously had led to decline in oil prices and ease in supply chain which improved recent macroeconomic indicators. Although headline and core inflation moderated in Jun-26, they remain elevated levels. While external account pressure remain moderated, high frequency indicators pointed to slight improvement in economic activity. Considering these developments, the MPC assessed that the current policy stance is appropriate to bring inflation in the range of 5–7% in the medium-term.
- Recent increase in global commodity prices is likely to keep inflation elevated above SBP's target range over the next few months however it is likely to ease gradually within the target range of 5-7%. Nevertheless, this outlook is subject to risks such as oil price increase, energy price adjustment, unfavorable climate conditions and fiscal slippages. Thus, SBP is likely to monitor developments on these front especially geopolitical tensions until the next MPC meeting.

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Exhibit: Monetary Policy Rate Decision

	Current	Previous	Chg. (bps)
Target Policy Rate	**11.50%**	**11.50%**	**Unchanged**
Discount rate (Ceiling Rate)	12.50%	12.50%	Unchanged
Floor Rate	10.50%	10.50%	Unchanged

Source: SBP, IGI Research

The Committee highlighted the following key developments since its previous meeting. Firstly, SBP's FX reserves exceeded the June-26 end target of US$ 18bn, underpinned by continued FX purchases amid a contained current account deficit in FY26 and the timely realization of planned official inflows. Secondly, S&P upgraded Pakistan's sovereign credit rating to "B." Thirdly, the latest sentiment surveys reflected an easing in inflation expectations among both consumers and businesses, though confidence indicators presented a mixed picture. FBR successfully met its revised tax revenue target for FY26. Finally, the IMF revised its global inflation forecasts upward for both CY26 and CY27 in its latest World Economic Outlook, reflecting rising global commodity prices.

The MPC noted that proactive macroeconomic management, anchored by a prudent monetary policy stance and sustained fiscal consolidation, has proven effective in navigating the ongoing supply shock and preserving macroeconomic stability amid a challenging global environment. The Committee reaffirmed its commitment to achieving price stability and will continue to closely monitor incoming data and evolving developments. The MPC further emphasized the need to continue strengthening external and fiscal buffers, while accelerating the pace of structural reforms which is considered essential to build resilience against recurring shocks, enhance productivity, and foster higher and more sustainable economic growth.

Exhibit: National CPI Heat Map

	Jun-26	May-26	Apr-26	Mar-26	Feb-26	Jan-26	Dec-25	Nov-25	Oct-25	Sep-25	Aug-25	Jul-25
General	**8.2**	**11.1**	**11.7**	**10.9**	**7.3**	**7.0**	**5.8**	**5.6**	**6.1**	**6.2**	**5.6**	**3.0**
Food	7.6	9.4	7.9	7.6	3.5	5.8	3.9	3.2	5.5	5.6	5.0	-1.8
Transport	8.2	25.7	36.8	29.9	12.5	0.4	2.6	4.9	6.1	6.7	4.2	2.5
Utility/Rent	9.7	15.5	16.8	16.8	11.5	9.7	7.3	6.9	5.3	4.2	3.7	3.6
Essentials	8.4	8.2	7.9	6.4	6.4	6.6	6.6	6.8	6.9	8.3	8.4	8.5
Disc.	7.4	6.9	7.6	7.6	8.5	8.7	8.1	7.9	7.6	8.0	7.2	7.3

Source: PBS, IGI Research

Key takeaways from analyst briefing

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

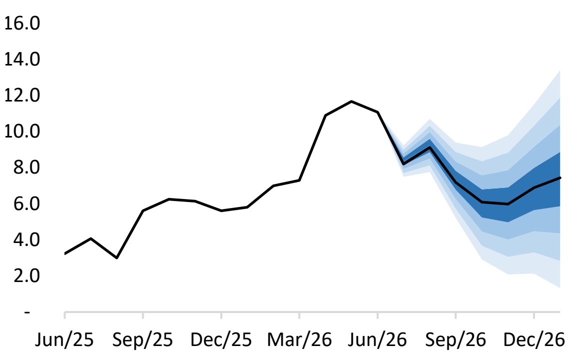
- The C/a recorded a deficit of US$ 139mn in FY26, closing near the lower bound of the projected range. Record workers' remittances partially offset a widening trade deficit amid the ongoing Middle East conflict, while the financial account registered a surplus. Together, these developments enabled the SBP to strengthen its FX reserves and substantially reduce forward liabilities. However, significant debt repayments in recent weeks have brought FX reserves to approximately US$ 17.3bn as of 17-Jul-26. Looking ahead, the C/a deficit is expected to widen in line with the recovery in economic activity, though it is projected to remain within the range of 0-1% of GDP in FY27. Workers' remittances are anticipated to grow relative to last year and continue to finance a substantial portion of the higher projected trade deficit. Supported by the timely realization of planned official inflows and an expected improvement in private flows, SBP's FX reserves are targeted to reach US$ 20.2bn by Dec-26 end.

- Economic activity moderated in 4QFY26, reflecting the impact of the Middle East conflict, rising global energy prices, and government austerity measures. That said, high-frequency indicators including automobile sales, cement dispatches, fertilizer offtake, and business sentiment point to a recovery in Jun-26. The agriculture outlook has also improved, with a projected surge in sugarcane output expected to more than offset lower cotton production which is expected to generate some positive spillovers for services sector. Budgetary incentives, import tariff rationalization, and a pickup in private sector credit are expected to provide additional support. The MPC accordingly projects real GDP growth in the range of 3.5%–4.5% for FY27, though downside risks persist from volatile global commodity prices, renewed Middle East tensions, and uncertain weather conditions, including potential El Nino effects.
- Broad money (M2) growth eased to 13.2%y/y as of 10-Jul-26, compared to 15.2% at the previous MPC meeting, as both NDA and NFA of the banking system contributed less to overall expansion. Within NDA, the pace of growth in net budgetary borrowing slowed, while private sector credit gathered momentum, accelerating to 14.9% on the back of easing financial conditions. Credit growth was broad-based across working capital, fixed investment, and consumer financing, with textiles, telecommunications, and wholesale and retail trade accounting for the bulk of borrowing. The Committee further observed a moderation in reserve money growth, driven primarily by the post-Eid unwinding of currency in circulation, which in conjunction with strong deposit growth led to a decline in the currency-to-deposit ratio.
- Pakistan’s external debt repayments for FY27 stand at US$ 21.5bn out of which US$ 18bn is principal while US$ 3.5bn in interest. Out of US$ 18bn, US$ 10-11bn is likely to be rolled over or refinanced

(US$ 6.1bn already settled in Jul-26), while the remaining amount will be repaid along with interest payments.

- The SBP Governor expects remittances to cross US$ 44bn in FY27 while improvement in exports is expected led by recovery in rice exports and continued growth in IT exports.
- The MPC noted that it is premature to comment on terms of the proposed US$ 10bn financing from United States and Ministry of Finance is better positioned to provide further details on this matter.

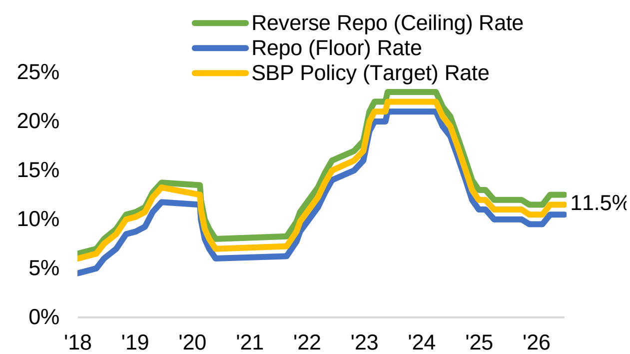
Exhibit: CPI likely to taper off in the coming months



Source: SBP, PBS, IGI Research

Exhibit: Pakistan Policy Rate (historical)

SBP keeps rates unchanged in Jul-26. (Source: SBP)



Outlook

Recent increase in global commodity prices is likely to keep inflation elevated above SBP's target range over the next few months however it is likely to ease gradually within the target range of 5-7%. Nevertheless, this outlook is subject to risks such as oil price increase, energy price adjustment, unfavorable climate conditions and fiscal slippages. Thus, SBP is likely to monitor developments on these fronts especially geopolitical tensions until the next MPC meeting.

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