

Day Break

Tuesday, March 10, 2026

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Securities

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Monetary Policy History		
Date	Stance	Policy Rate
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 Keeps Policy Rate Unchanged at 10.5%

- In the latest Monetary Policy Announcement ([link](#)), the State Bank of Pakistan (SBP) decided to keep Policy Rate unchanged at 10.5%. Since Jun-24 SBP has cumulatively cut interest rates by 1150bps. MPC noted that macroeconomic data reported was in line with the projections however, outlook has now become uncertain owing to war in Middle East. Cross-border trade has been severely impacted while global oil prices, freight and insurance costs have also risen.
- Prudent Monetary and Fiscal policy remains critical in absorbing these shocks considering evolving nature of event and intensity and duration of conflict will be key in determining the impact on economy. MPC highlighted that macroeconomic fundamentals (CPI, FX reserves and fiscal buffers) are far better than at the time of Russia-Ukraine war and outlook for key macroeconomic variables for FY26 remains within expected range, however, risks to outlook have increased substantially
- Inflation is likely to witness a spike in the remaining FY26 owing to higher oil prices however it may be partially offset by favorable food prices and better prospects of agriculture produce. However, risk to inflation outlook remains high owing to heightened uncertainty and thus SBP is likely to monitor impact of external risks on inflation due to higher oil prices and supply disruption amid US-Iran war.

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Exhibit: Monetary Policy Rate Decision			
	Current	Previous	Chg. (bps)
Target Policy Rate	10.50%	10.50%	Unchanged
Discount rate (Ceiling Rate)	11.50%	11.50%	Unchanged
Floor Rate	9.50%	9.50%	Unchanged

Source: SBP, IGI Research

Analyst

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The Committee noted few key developments since last MPC meeting other than geopolitical developments. Inflation accelerated from 5.8% in Jan-26 to 7% in Feb-26. On the external front, the C/a posted a surplus in Jan-26 which, despite subdued official inflows, enabled the SBP to sustain its interbank foreign exchange purchases and accumulate reserves to US\$ 16.3bn by 27-Feb-2026. In the real sector, LSMI expanded by 0.4%/y/y in Dec-25, bringing cumulative growth for 6MFY26 to 4.8%. Consumers' inflation expectations eased and their confidence strengthened in Feb-26, while business sentiment held broadly steady. On the fiscal front, FBR tax revenues fell short of target in both Jan-26 and Feb-26, adding to the cumulative shortfall accumulated during 8MFY26. On the global stage, the announcement of uniform global tariffs by US across trading partners carries potentially significant consequences for international trade flows. The Committee observed that the global economic landscape remains fraught with uncertainty, particularly regarding the trajectory of international commodity prices and the risk of supply-chain disruptions arising from the escalating conflict in the Middle East. In light of these considerations, the MPC judged today's monetary policy decision to be appropriate and reaffirmed its resolve to preserve the hard-earned gains in price stability. The Committee further stressed the imperative of accelerating meaningful structural reforms to lay the groundwork for sustainable economic growth.

Exhibit: National CPI Heat Map												
	Feb-26	Jan-26	Dec-25	Nov-25	Oct-25	Sep-25	Aug-25	Jul-25	Jun-25	May-25	Apr-25	Mar-25
General	7.0	5.8	5.6	6.1	6.2	5.6	3.0	4.1	3.2	3.5	0.3	0.7
Food	5.8	3.9	3.2	5.5	5.6	5.0	-1.8	0.9	2.6	3.1	-4.8	-5.1
Transport	0.4	2.6	4.9	6.1	6.7	4.2	2.5	2.7	0.6	-2.5	-3.9	-1.2
Utility/Rent	9.7	7.3	6.9	5.3	4.2	3.7	3.6	3.6	-3.3	-2.5	-2.6	-2.2
Essentials	6.6	6.6	6.8	6.9	8.3	8.4	8.5	8.5	9.1	9.6	9.6	12.2
Disc.	8.7	8.1	7.9	7.6	8.0	7.2	7.3	7.6	8.2	8.3	8.1	8.1

Source: PBS, IGI Research

Key takeaways from analyst briefing

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

- C/a recorded a surplus of US\$ 121mn in Jan-26, narrowing the cumulative deficit to US\$ 1.1bn during 7MFY26, supported by lower imports and broadly stable exports and workers' remittances, the latter continuing to finance a substantial portion of the trade deficit. On the financial account side, net official outflows were recorded in January, though foreign investment inflows registered a marginal uptick. The SBP's sustained interbank foreign exchange purchases further contributed to the

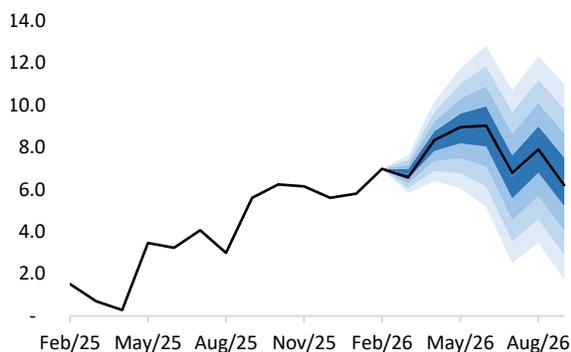
ongoing buildup in reserves. While the external environment has grown increasingly challenging amid the Middle Eastern conflict, the C/a deficit is expected to remain within the previously projected range of 0–1% of GDP during FY26. The Committee, however, underscored the critical importance of ensuring timely disbursement of planned official inflows to achieve the targeted reserve buildup to US\$18bn by Jun-26.

- Economic activity continued to gain momentum, with high-frequency indicators — including auto sales, domestic cement dispatches, electricity generation, and POL sales (excluding furnace oil) — registering robust growth during July–January FY26. Recent policy interventions, notably the reduction in the Cash Reserve Requirement, lower markup rates on export financing, and downward adjustments in industrial energy tariffs, have further bolstered manufacturing prospects, while the agriculture sector remains well-positioned with wheat sowing targets largely met and favorable input conditions. The positive spillovers from commodity-producing sectors are expected to provide additional impetus to the wholesale, retail trade, and transport segments of services. Based on these factors, SBP has maintained its GDP growth forecast in the range of 3.75%–4.75% for FY26, though the outlook remains subject to downside risks emanating from evolving geopolitical uncertainties.
- Since the last MPC meeting, broad money growth moderated to 16.0% as of 20-Feb-26, driven primarily by a sharp decline in net budgetary borrowing from the banking system, while the contribution of net foreign assets to M2 growth strengthened. The Committee observed that reduced government borrowing, complemented by additional liquidity from the recent CRR reduction, has created meaningful space for private sector credit expansion, which grew by PKR 790bn up to 20-Feb-26, reflecting increased demand for both working capital and fixed investment, particularly in textiles, wholesale and retail trade, and chemicals, alongside a continued uptick in consumer financing. On the liability side, currency in circulation rose while deposits declined, pushing the currency-to-deposit ratio higher and accelerated reserve money growth.
- Pakistan’s external debt obligation has reduced owing to decline in global interest rates. Debt repayments for FY26 now stand at US\$ 25.6bn. Out of these US\$ 14.6bn have already been rolled over or repaid including US\$ 7bn in repayments. Thus, out of the remaining US\$ 11bn, US\$ 4.3bn will be repaid in the remaining

months while the balance remaining will be rolled over to next year. The US\$ 1.3bn Euro Bond will be repaid as scheduled.

- SBP highlighted that every US\$ 10/bbl increase in global oil prices could expand import bill by US\$ 1.5bn and increase inflation by 0.2 percentage points assuming fully passed through and no offsetting policy response.
- Regarding remittances, SBP expects inflows to reach US\$ 42bn during FY26 increasing by US\$ 3.7-4.0bn against US\$ 38.3bn in FY25. Although geopolitical tensions could impact inflow from Middle East, however SBP expects overall impact to remain manageable.
- SBP noted that all the assigned quantitative targets by IMF related to SBP have been met which include net international reserves, net domestic assets, forward liabilities and limit on government borrowing. No specific waivers have been requested and assigned structural benchmarks have also been met.
- The Saudi Deferred Oil Financing Facility remains operational and no disruption has been reported so far despite regional tensions impacting shipping routes and remain confident that alternative arrangements could be used if required.

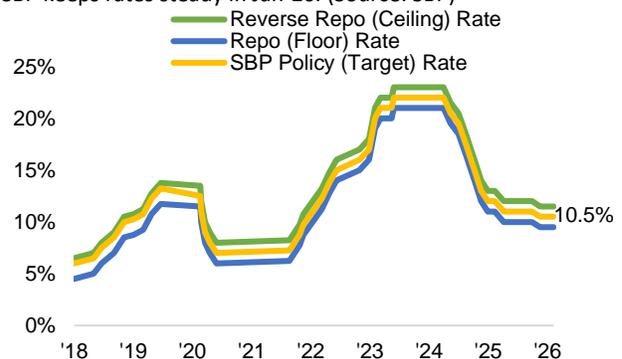
Exhibit: CPI likely to pick up gradually going forward



Source: SBP, PBS, IGI Research

Exhibit: Pakistan Policy Rate (historical)

SBP keeps rates steady in Jan-26. (Source: SBP)



Outlook

Inflation is likely to witness a spike in the remaining FY26 owing to higher oil prices however it may be partially offset by favorable food prices and better prospects of agriculture produce. However, risk to inflation outlook remains high owing to heightened uncertainty and thus SBP is likely to monitor impact of external risks on inflation due to higher oil prices and supply disruption amid US-Iran war.

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