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16 September 2025

REN # REP - 004 REN # REP - 400 R

Economy: SBP maintains policy rate at 11%

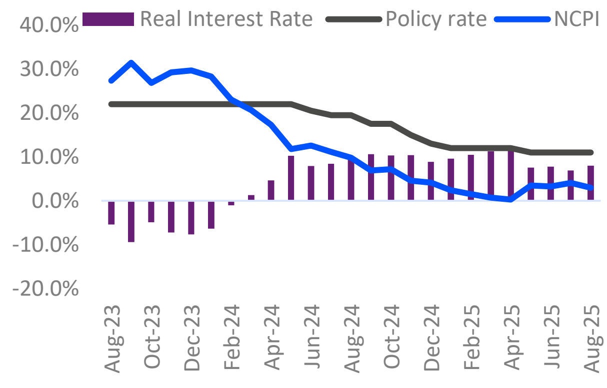
The State Bank of Pakistan (SBP) announced its monetary policy on Monday, wherein the benchmark policy rate was kept unchanged at 11% for the third consecutive time.

Some key developments influencing the MPC decision include (i) short-term inflationary pressures created by increasing food prices, (ii) potential supply-chain disruptions caused by floods, and (iii) a moderation in projected economic growth versus the prior assessment.

Key Takeaways:

- Strong momentum has been evident since 2HFY25, supported by 3% YoY growth in the LSM sector in 4QFY25. However, flood-related losses, mainly in agriculture, are expected to moderate the current momentum, leading to a trimmed FY26 growth forecast.
- SBP projects real GDP growth rate in FY26 to remain close to the lower end of the earlier projected range of 3.25-4.25%, reflecting crop losses as a result of the recent floods.
- Headline inflation is expected to stay above the upper bound for most of 2HFY26 before reverting to the target range of 5-7% in FY27.
- Remittances have remained resilient and are projected to reach USD 40bn for FY26. Historically, remittances rise post episodes of natural disasters, wherein the SBP expects USD 0.5-1bn under flood-related inflows.
- On the external front, the current account posted a deficit of USD 0.254bn in July-2025, led by an increase in imports amid growing economic activity. However, current account deficit is projected to remain in the previous projected range of 0 to 1% of GDP in FY26 due to remittance buffer.
- For FY26, total debt repayments amount to USD 26.1bn. Of this amount, USD 16bn is expected to be rolled over. From the net repayable amount of USD 10bn, USD 1.5bn has already been repaid.
- The SBP's foreign exchange reserves remained stable at USD 14.3bn as of 5 Sep-25, despite current account deficit and weak financial inflows. An improvement in reserves is expected as the SBP projects reserves to reach USD 15.5bn by Dec-2025.

NCPI, Policy rate and Real Interest rate



Source: SBP, PBS, Akseer Research

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Buy	Greater than or equal to +15%
Hold	Between -5% and +15%
Sell	Less than or equal to -5%

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