

Economy: SBP maintains policy rate at 11%

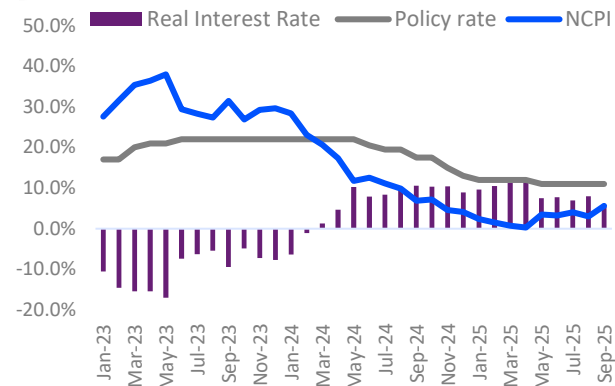
The State Bank of Pakistan (SBP) announced its monetary policy today, wherein the benchmark policy rate was kept unchanged at 11% for the fourth consecutive time.

Some key developments influencing the MPC decision include (i) volatile global commodity prices, (ii) potential food supply chain disruptions, and (iii) challenging export prospects.

Key Takeaways:

- Recent high-frequency indicators suggest that growth momentum is picking up. Agricultural sector has performed fairly, with Kharif crops exceeding expectations and favorable input conditions supporting a likely rebound in Rabi crop yields as well. In industry, LSM output recorded a 4.4% increase in Jul-Aug FY26, reversing the marginal contraction observed in the corresponding period of the previous year.
- The growth outlook has strengthened compared to the earlier assessment, with real GDP now expected to fall in the upper half of the previously projected 3.25–4.25% range.
- The Committee expects inflation to remain above the upper limit of the target range for a few months in H2FY26, before returning to the target band in FY27.
- The tax receipts posted a 12.5% YoY increase in Q1FY26; however, the cumulative collection of PKR 2.9tn remained under the target. The overall fiscal and primary balances are likely to post surpluses in Q1FY26.
- Remittances have remained resilient, with their outlook further improved, and are projected to reach around USD 41bn for FY26.
- On the external front, the current account recorded a USD 110mn surplus in Sep-25, bringing the Q1FY26 cumulative deficit to USD 594mn. The current account deficit is projected to remain in the previous projected range of 0 to 1% of GDP in FY26. Imports are expected to rise further, consistent with the anticipated improvement in economic activity.
- For FY26, total debt repayments amount to USD 25.9bn. Of this amount, USD 16bn is expected to be rolled over. From the net repayable amount of USD 10bn, USD 3.1bn has already been repaid.
- The SBP's foreign exchange reserves are stable at USD 14.5bn and the banks hold reserves of around USD 5.2bn. The SBP reserves are further projected to further increase to USD 15.5bn by Dec-25, reaching approximately USD 17.8bn by Jun-26.

NCPI, Policy rate and real interest rate



Source: SBP, PBS, Akseer Research

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