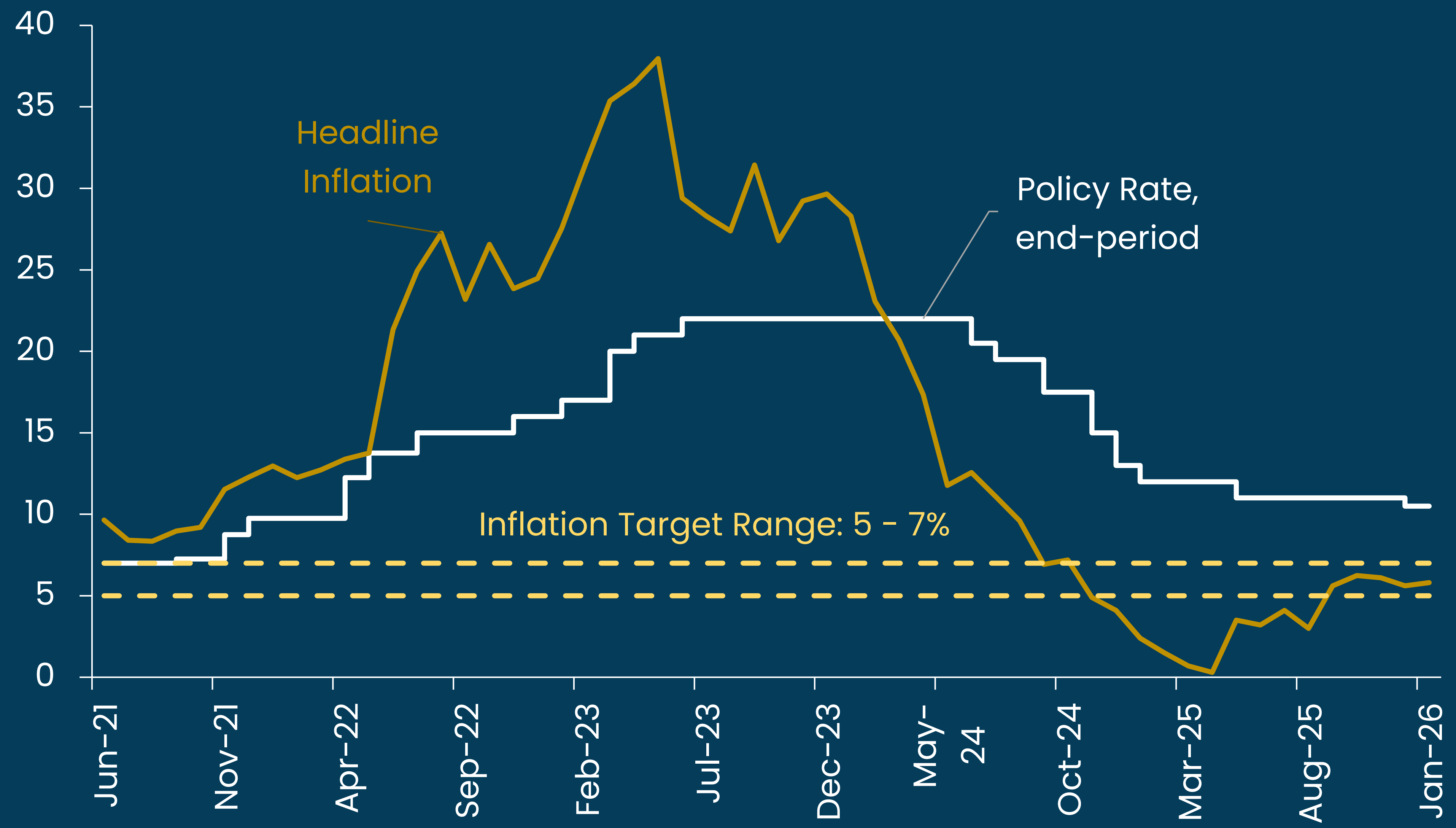
# Monetary Policy Report

*Continued Policy Prudence*

**February 2026**

# Monetary Policy Report - February 2026

**Inflation and SBP's Policy Rate**
*(percent, y/y)*




## Recent Monetary Policy Considerations

The MPC kept the policy rate at 11 percent during Jul-Oct 2025 to anchor inflation within the target range. However, muted flood-related impact and benign global commodity prices, created space for a 50bps cut in Dec-2025. The MPC then held the policy rate unchanged at 10.5 percent in Jan-2026, amidst unchanged inflation and better growth outlook.

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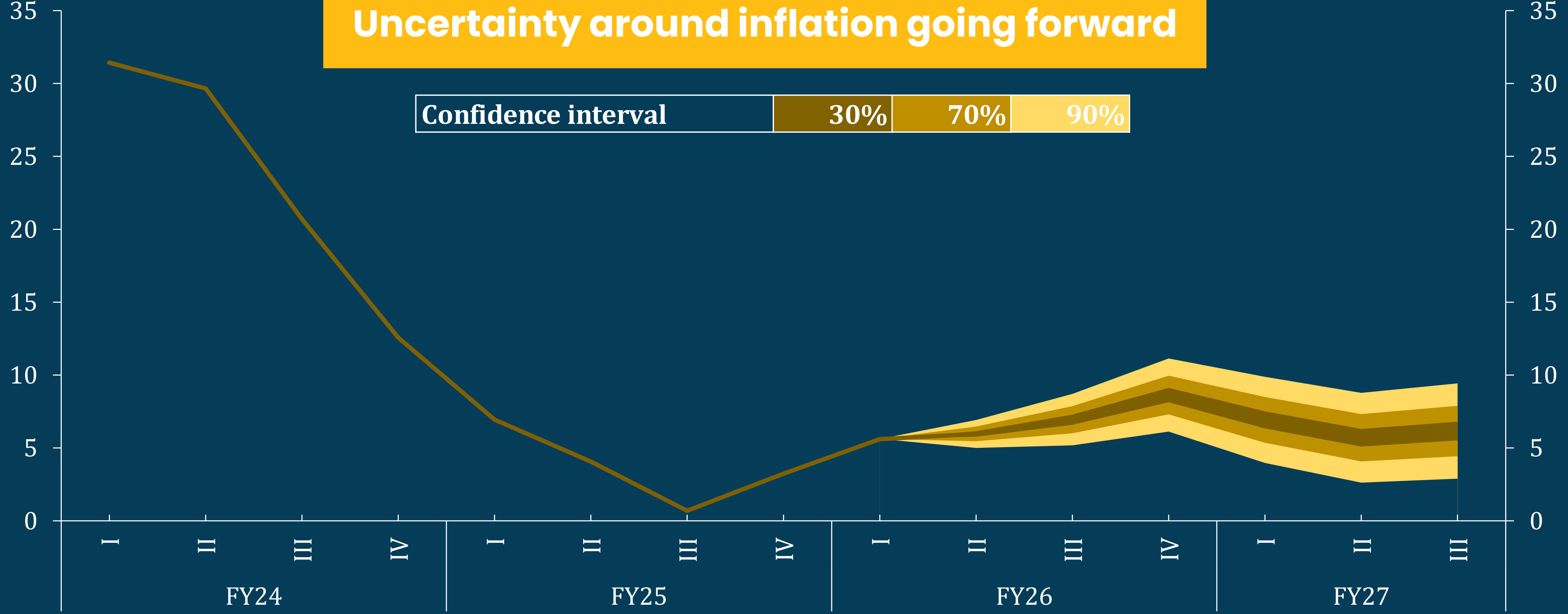
## Uncertainty around inflation going forward



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## Macroeconomic Outlook

### Inflation

Inflation is projected to remain within the **5-7%** target range over the medium term amidst prudent monetary and fiscal policy mix.

### Real GDP

Economic activity continues to gain traction, with real GDP growth projected between **3.75–4.75%** in FY26 amidst macroeconomic stability.

### Current Account

The current account deficit is projected to remain between **0-1%** of GDP in FY26, supported by robust workers' remittances.

### SBP's FX Reserves

SBP's FX reserves are projected to increase further to over **$18 billion** by June 2026, mainly led by a contained current account deficit.

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## Key Risks to the Outlook

- Volatile international commodity prices
- Challenging global environment for exports
- Climate-related shocks
- Unanticipated adjustment in administered energy prices