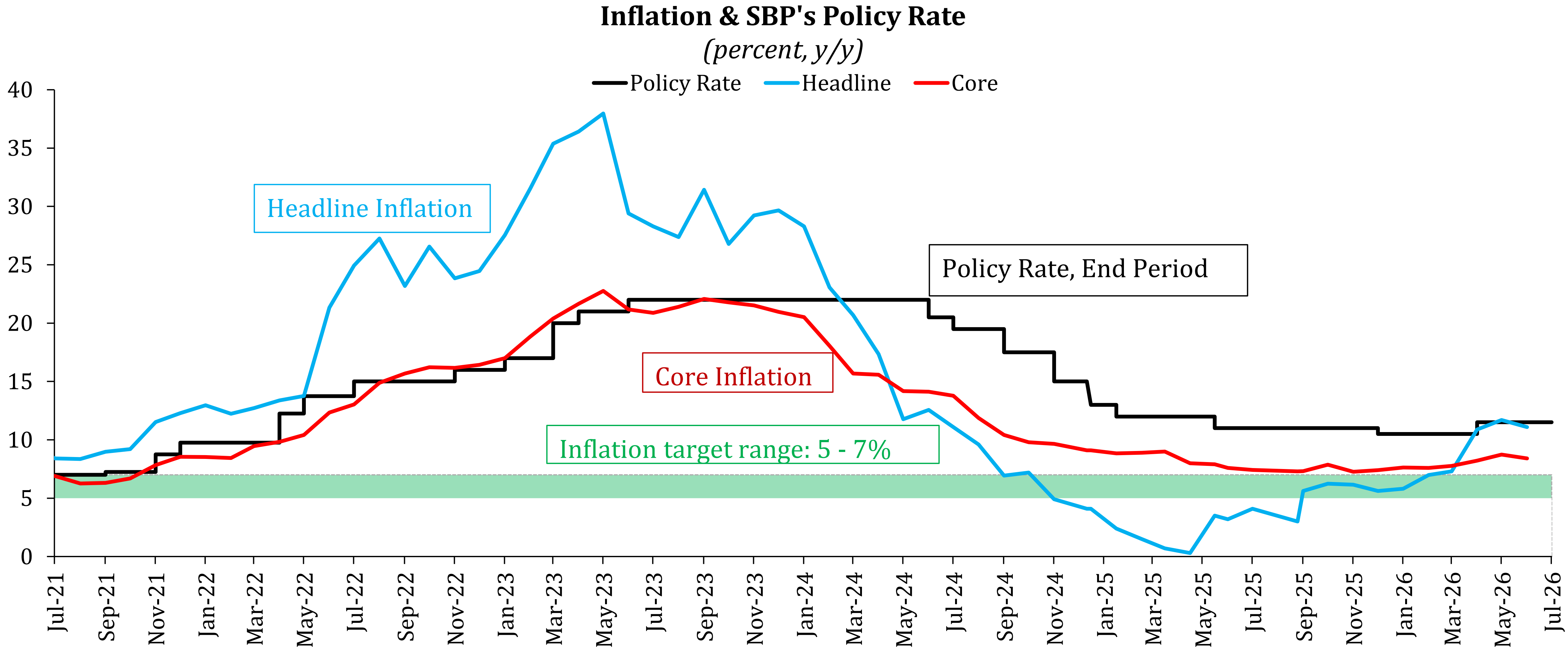
Post-MPC Analyst Briefing Slide Deck

July 2026

Monetary policy stance remains appropriate to guide inflation towards 5 – 7 percent target range



Source: PBS, SBP staff calculations

Inflation averaged slightly above its target range in FY26, as the Middle East conflict pushed up global oil prices, fueling domestic inflation

Figure 1: Headline Inflation
(percent, y/y)

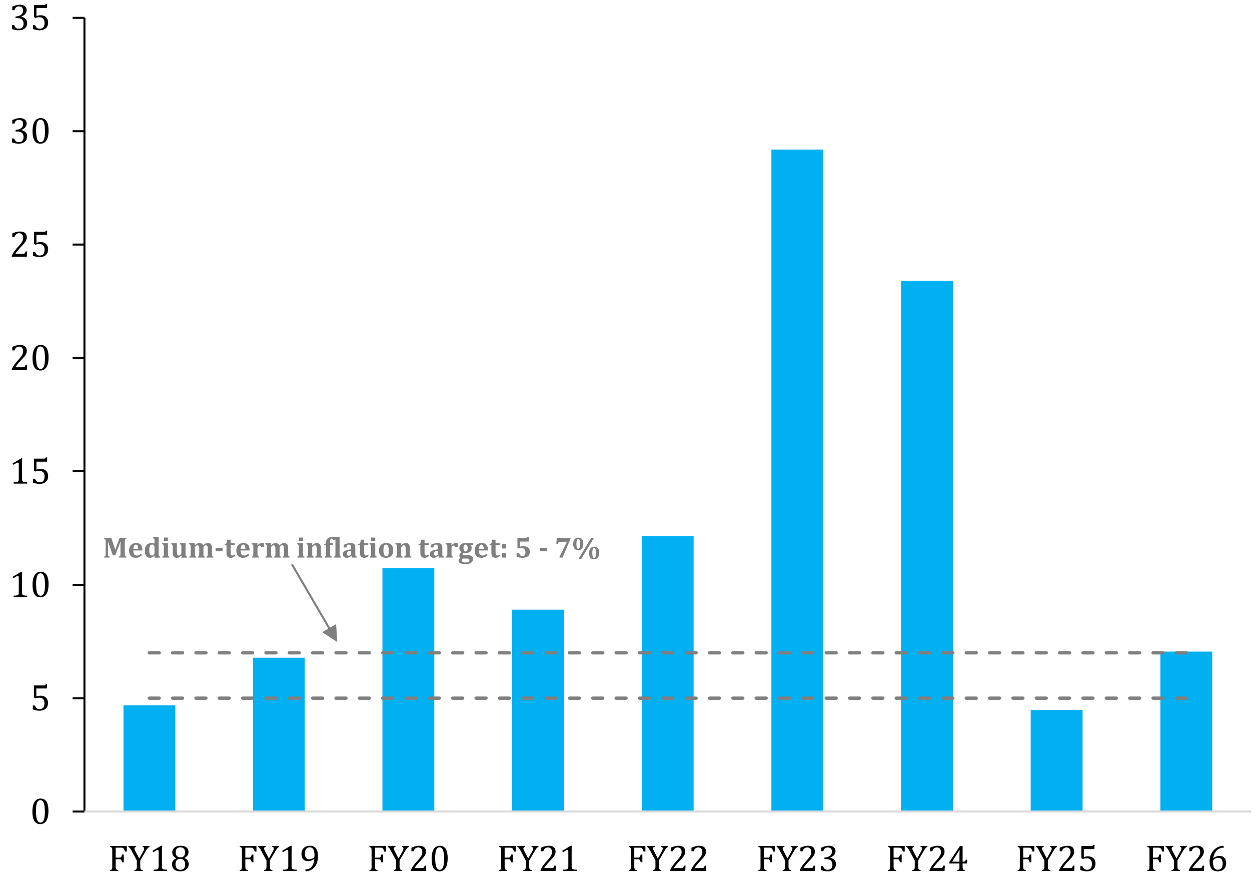
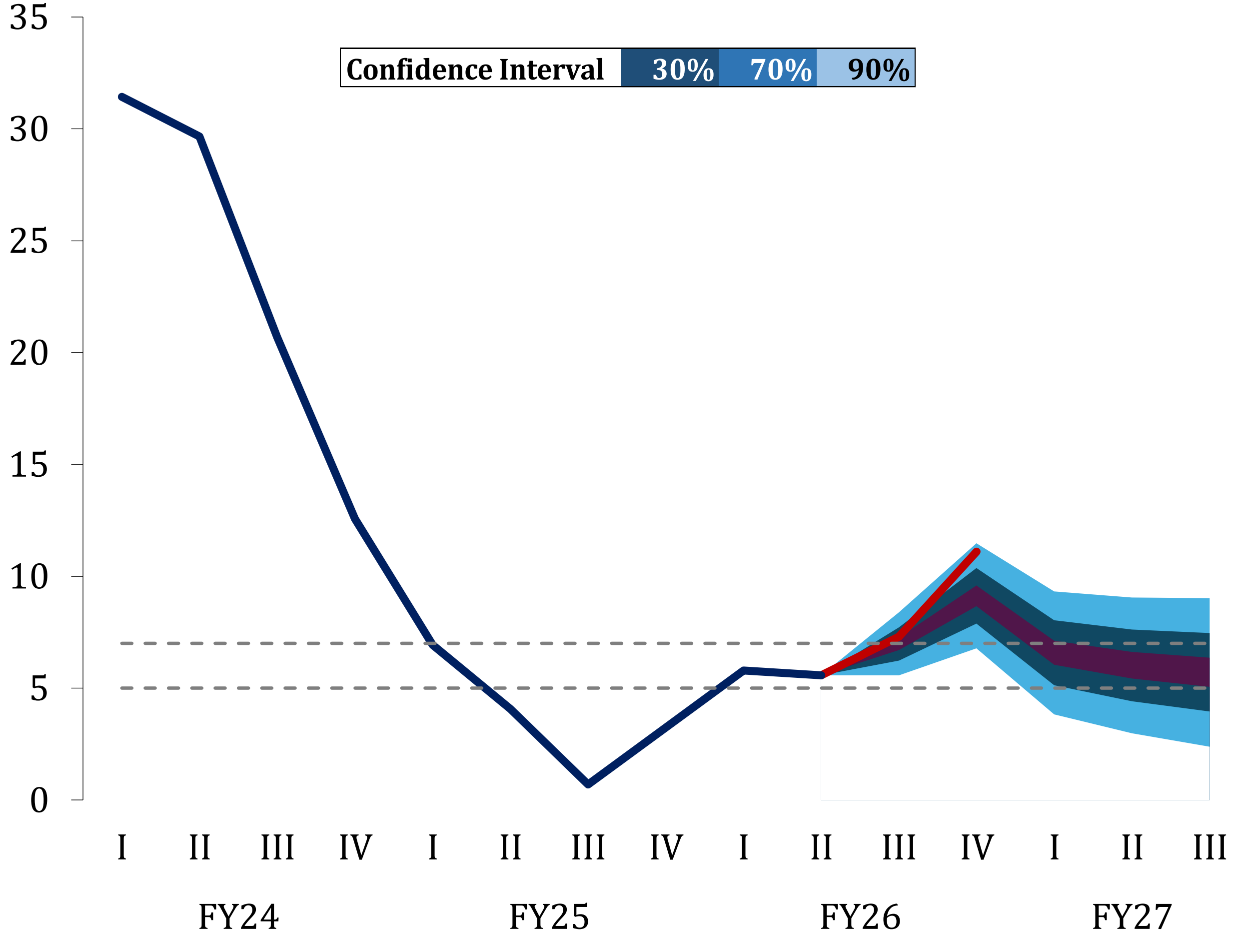


Figure 2: Fan chart from February MPR
(percent, y/y, end-quarter)



Note: Updated Fan chart will be published in upcoming Monetary Policy Report (MPR) in August 2026
Source: PBS & SBP staff estimation.

Second-round effects of the ongoing geopolitical shock remained relatively contained through June

Heat Map of CPI Inflation (m/m)

	weight	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26
CPI-National		-0.2	0.2	2.9	-0.6	2.1	1.7	0.4	-0.4	0.4	0.3	1.2	2.5	0.5	-0.3
Urban Basket															
Urban CPI	100.0	0.1	0.1	3.4	-0.7	1.6	1.4	0.5	-0.4	0.2	0.3	1.3	2.7	0.7	-0.5
NFNE (Core)	**53.7**	**0.4**	**0.2**	**0.8**	**0.3**	**0.3**	**1.1**	**0.3**	**0.4**	**1.0**	**0.2**	**0.7**	**1.9**	**1.3**	**-0.1**
Core Goods	19.3	0.7	0.2	0.2	0.4	0.6	1.2	0.5	0.5	1.0	1.2	0.3	0.2	2.1	-0.1
Services	34.4	0.1	0.2	1.3	0.3	0.0	1.0	0.1	0.4	1.0	-0.6	1.0	3.3	0.7	-0.1
Food	**36.8**	**0.6**	**-0.6**	**2.4**	**-1.3**	**4.0**	**1.7**	**0.3**	**-1.7**	**-0.2**	**-0.8**	**0.1**	**2.3**	**0.2**	**1.0**
Perishable	4.5	1.0	5.3	13.5	-13.0	12.0	13.7	-5.2	-17.4	-11.8	2.7	2.6	16.0	-13.1	11.9
Non-Perishable	32.3	0.5	-1.2	1.1	0.3	3.0	0.2	1.1	0.4	1.1	-1.1	-0.1	0.9	1.7	-0.1
Energy	**9.5**	**-2.2**	**1.4**	**14.3**	**-2.0**	**-0.4**	**1.2**	**1.8**	**0.6**	**-0.8**	**3.0**	**6.0**	**6.0**	**0.1**	**-4.6**
Rural Basket															
Rural CPI	100.0	-0.5	0.5	2.1	-0.5	2.8	2.1	0.2	-0.6	0.6	0.3	1.0	2.1	0.3	0.0
NFNE (Core)	**42.6**	**0.3**	**0.6**	**0.7**	**0.2**	**0.5**	**1.3**	**0.5**	**0.6**	**1.1**	**0.4**	**0.8**	**1.1**	**0.2**	**0.2**
Core Goods	20.6	0.4	0.6	0.4	0.3	0.9	1.4	0.4	0.7	0.9	1.1	0.7	0.3	0.1	-0.2
Services	22.0	0.3	0.7	1.1	0.1	0.2	1.1	0.6	0.4	1.3	-0.4	0.9	2.0	0.4	0.7
Food	**45.9**	**-1.0**	**0.1**	**2.7**	**-0.7**	**5.5**	**3.0**	**-0.7**	**-1.9**	**0.4**	**-0.5**	**-0.6**	**0.9**	**0.2**	**0.9**
Perishable	5.8	-3.4	5.1	18.9	-11.0	13.4	16.2	-8.5	-18.1	-15.1	1.1	3.0	14.3	-12.8	13.1
Non-Perishable	40.2	-0.7	-0.5	0.8	0.8	4.5	1.3	0.5	0.4	2.2	-0.7	-0.9	-0.5	1.7	-0.3
Energy	**11.4**	**-1.8**	**1.3**	**4.9**	**-2.0**	**-0.1**	**1.4**	**2.7**	**1.1**	**0.0**	**3.0**	**7.6**	**9.7**	**0.9**	**-3.8**
SPI		-1.2	-0.5	3.2	3.0	1.1	0.3	0.5	0.2	-0.6	-0.1	2.2	3.6	1.3	-0.4
WPI		0.0	0.6	1.2	-0.2	0.5	0.5	-0.2	-0.9	-0.2	0.7	5.9	5.1	-0.8	-1.2
	weight	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26

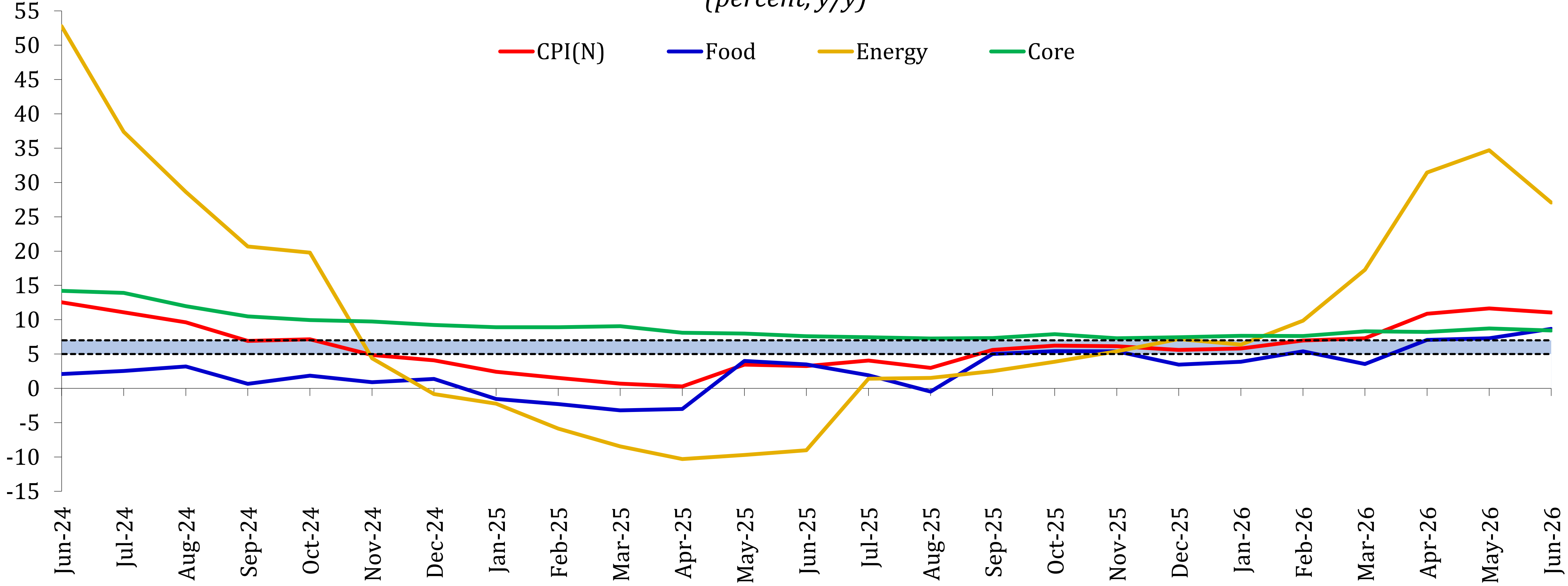
Key	-1SD	Average	+1SD

Note: Color thresholds in the heat map are determined from the mean and standard deviation of observations during July 2021–June 2026.

Source: PBS

Accordingly, headline inflation eased in June though remained at elevated level

Headline Inflation and its Key Components
(percent, y/y)



Source: PBS and SBP staff calculations

Inflation expectations moderated further in July

Figure 1: Market Analysts
(Annual average, percent)

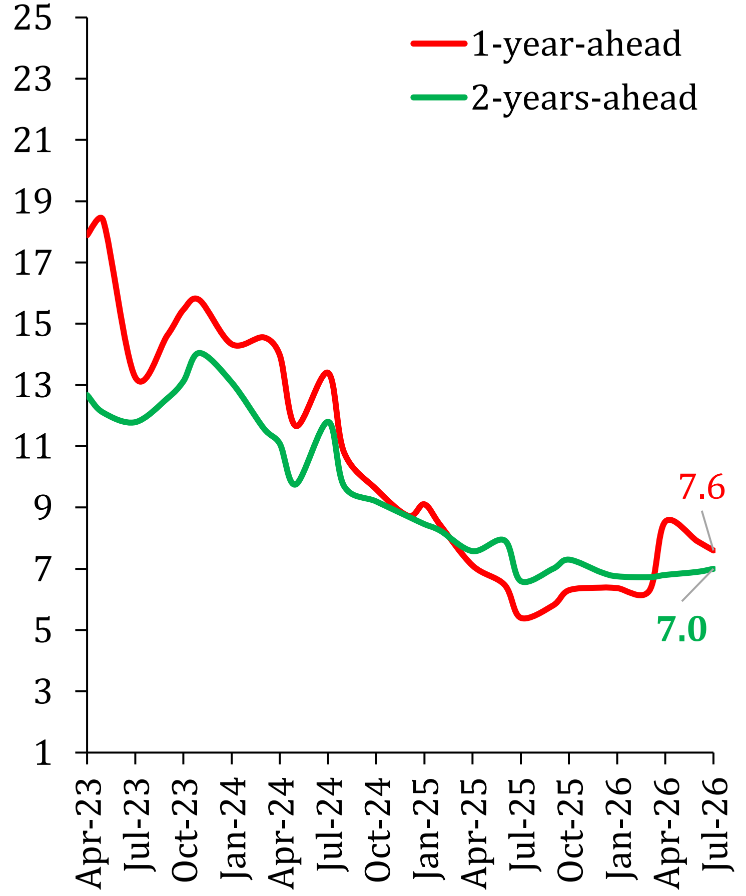


Figure 2: Businesses
(1-year ahead, percent)

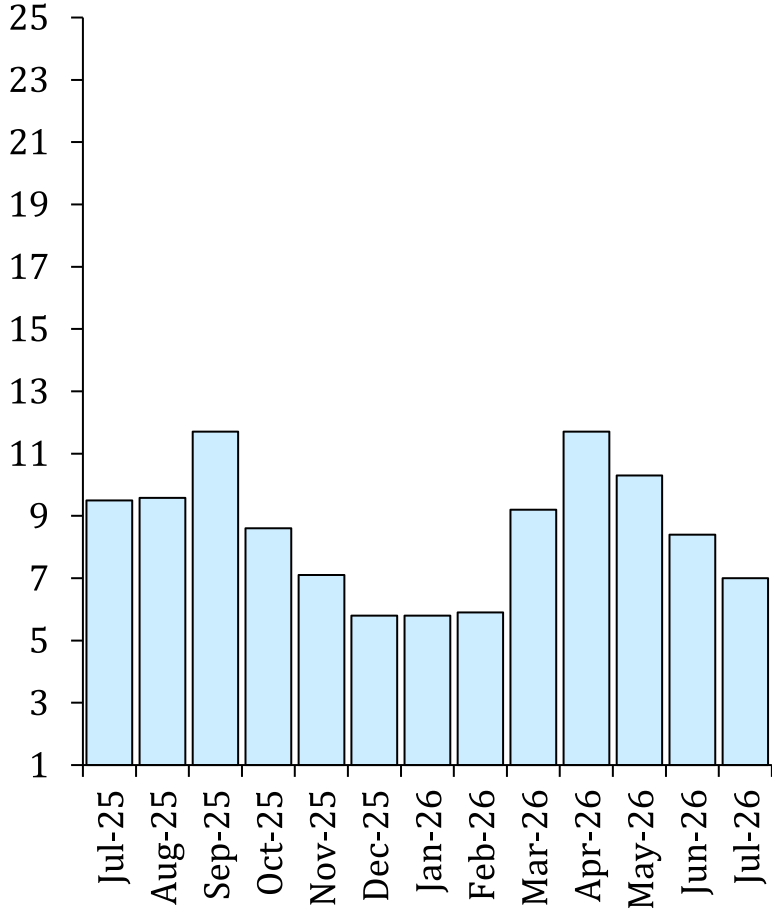
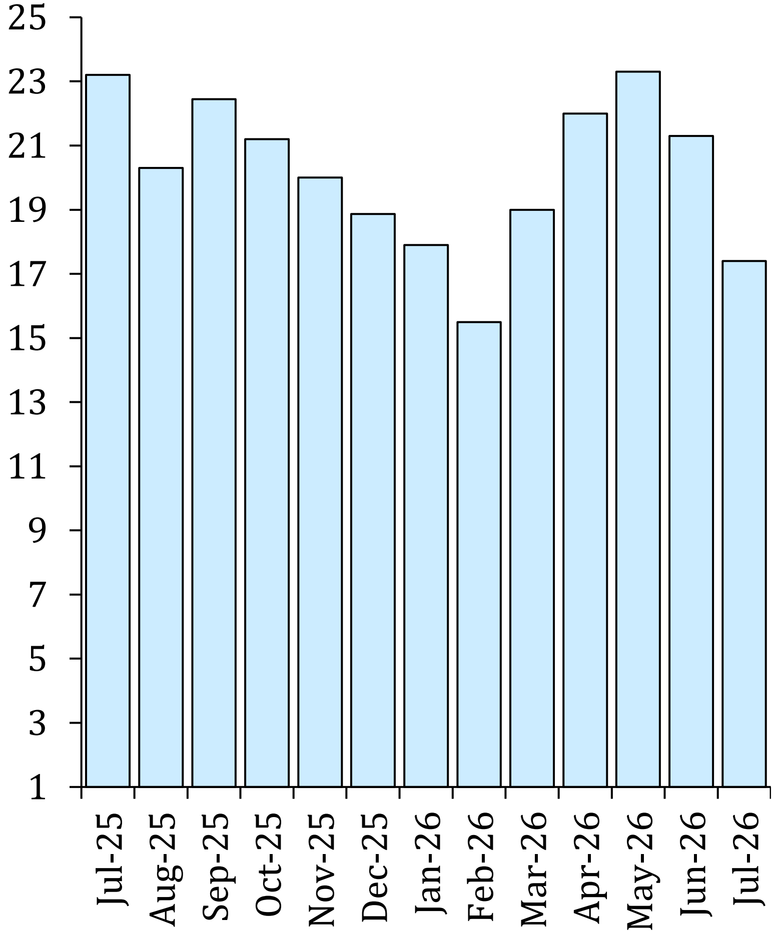


Figure 3: Consumers
(1-year ahead, percent)



Note: Survey responses of Businesses/Consumers are with 5 percent trimmed mean. Figure 1 is average of forecasts shared by market analyst with SBP
Source: SBP-IBA Consumers/business surveys.

Despite significant shocks, economic growth continues to improve gradually and sustainably

Figure 1: Contribution in Real GDP Growth

(contribution, percentage points)

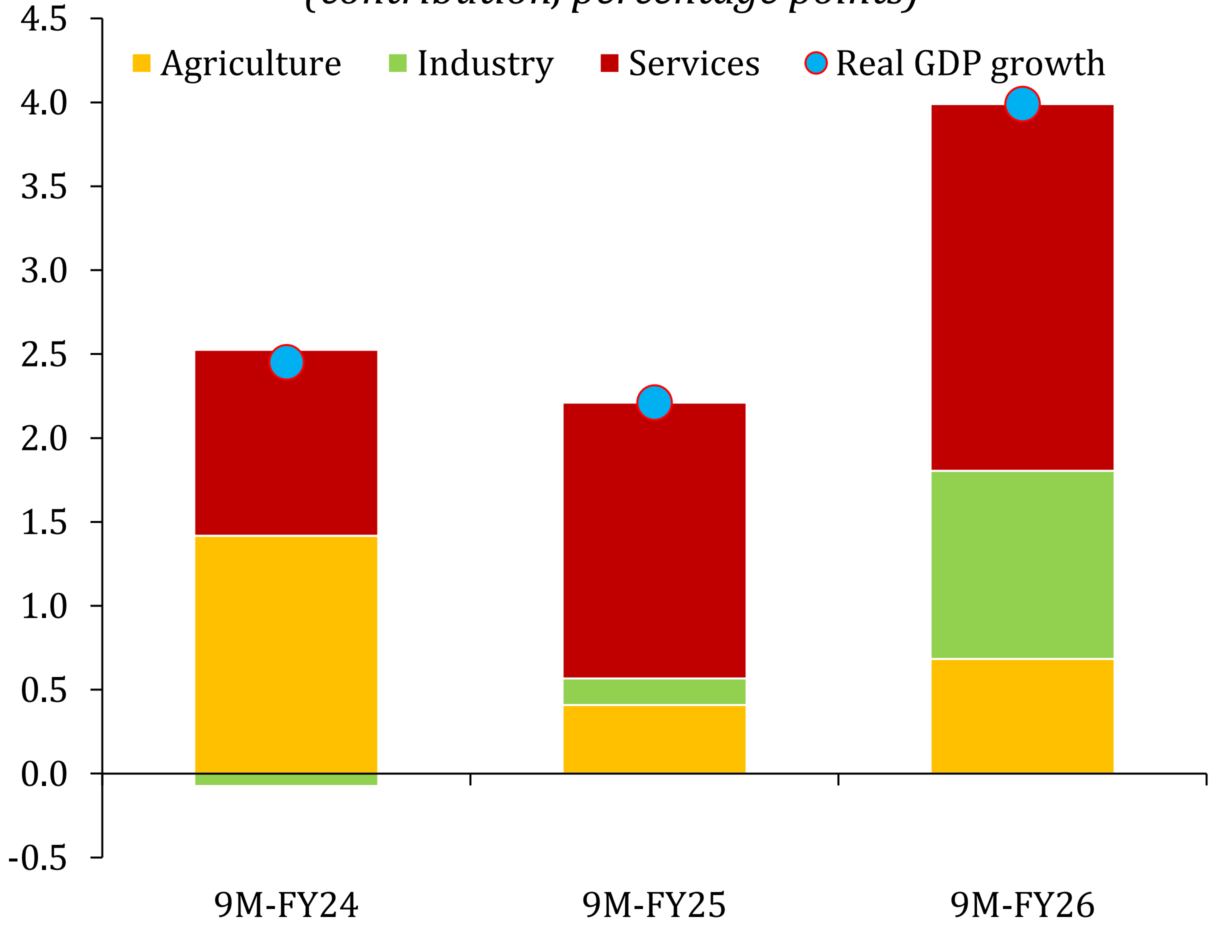
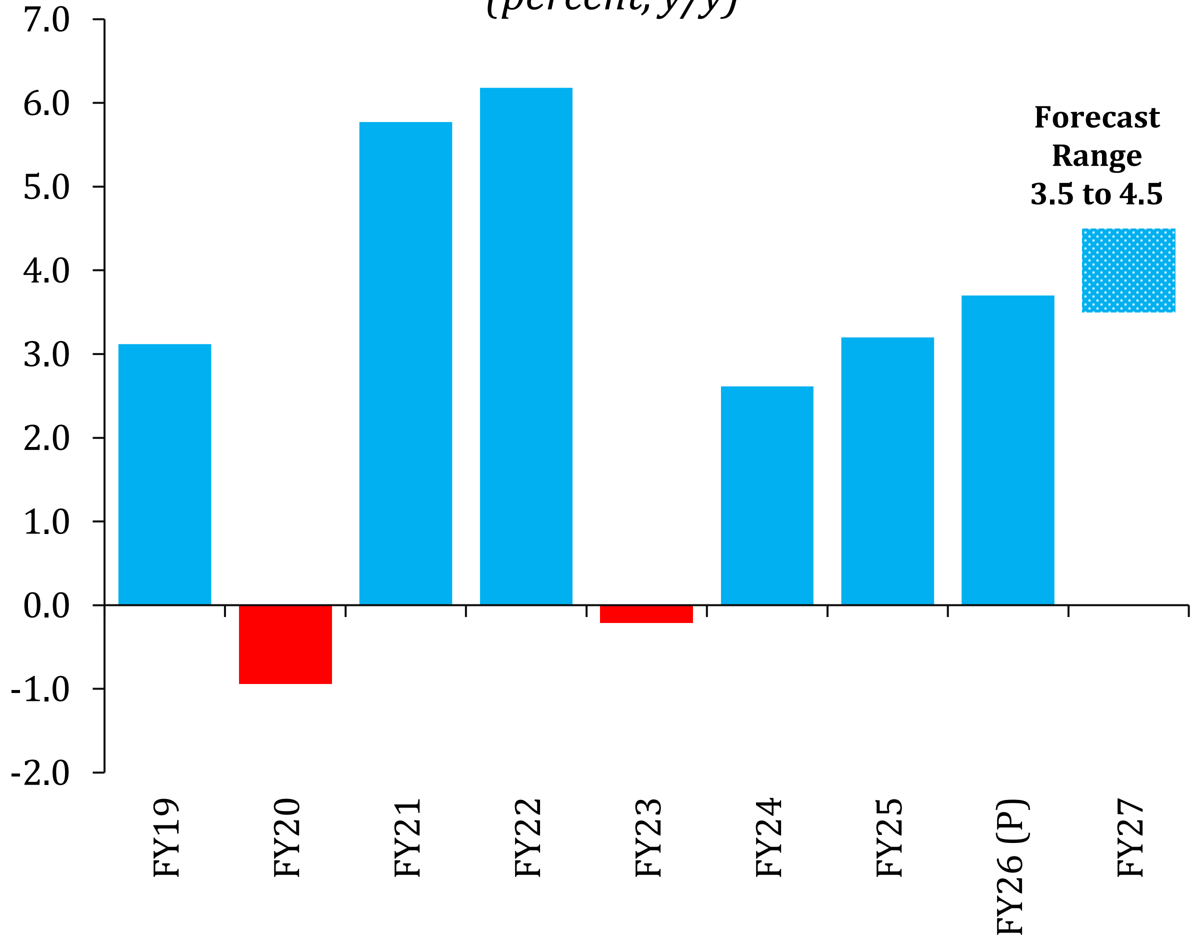


Figure 2: Real GDP Growth

(percent, y/y)



Source: PBS, SBP staff calculations. (P) is Provisional

LSM contracted in May, reflecting the impact of the Middle East conflict, higher global energy prices, and domestic austerity measures

Figure 1: Large-scale Manufacturing[1]
(percent, y/y)

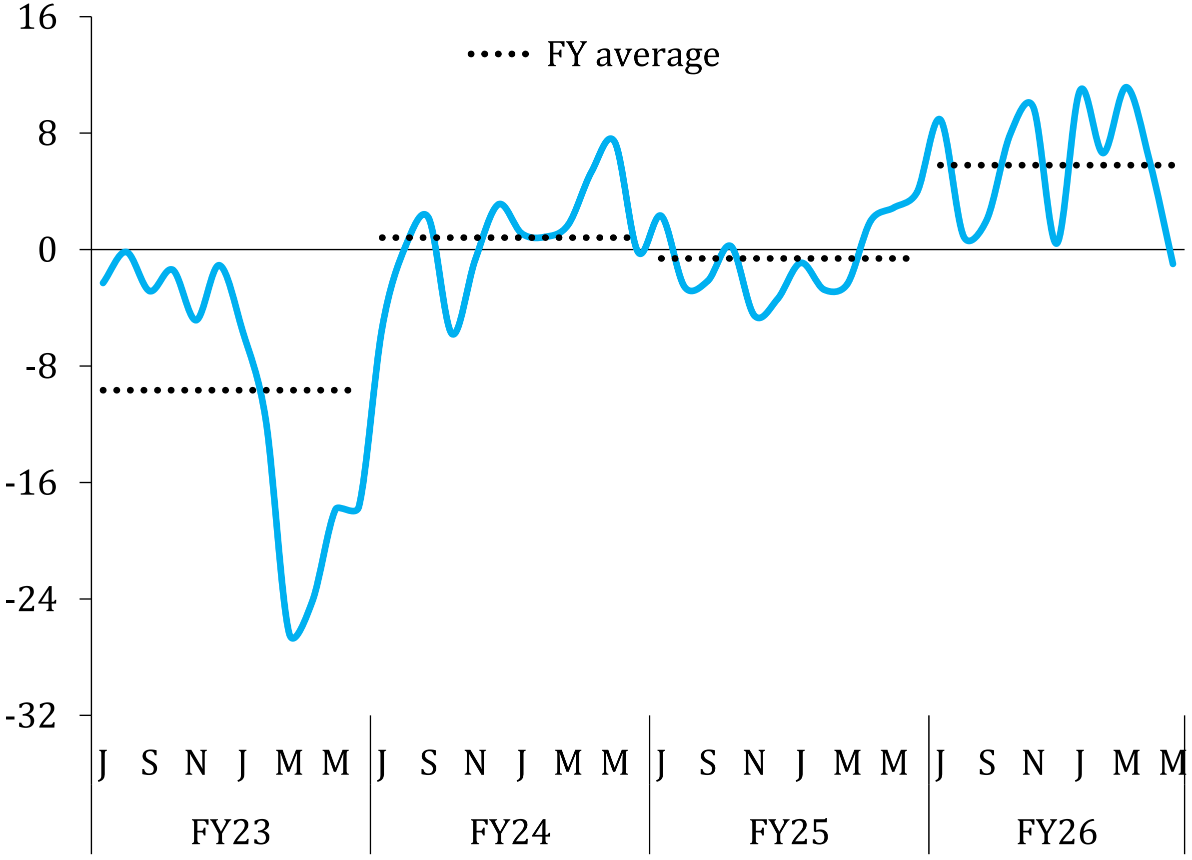


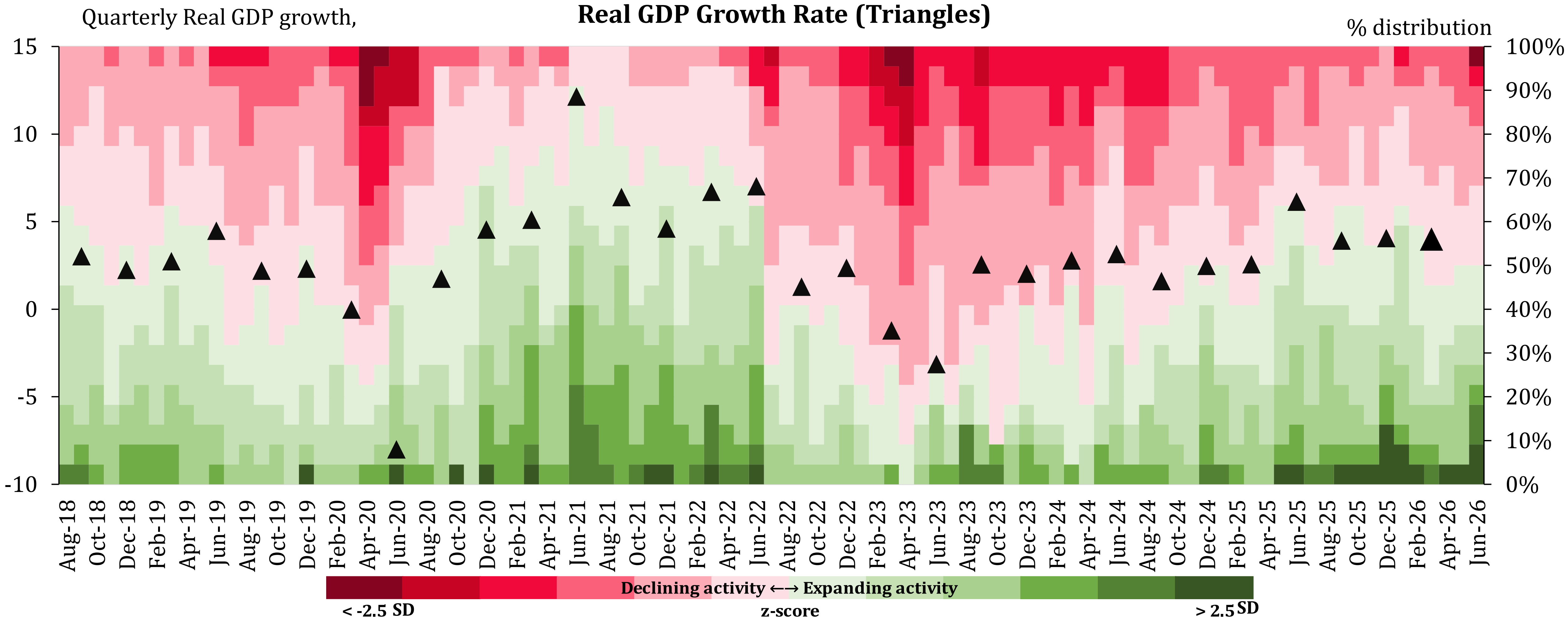
Table 1: No. of Subsectors that Improved/Worsened
(Jul-May, percent, y/y)

	Growth	Improved			Worsened		
	y/y	Count	Contr[1]	Weight	Count	Contr[1]	Weight
FY22	11.8	17	12.0	71.1	5	-0.2	7.3
FY23	-9.6	4	3.4	8.1	18	-13.1	70.2
FY24	0.9	10	4.3	37.7	12	-3.4	40.7
FY25	-1.1	12	2.9	48.8	10	-4.0	29.6
FY26	5.8	16	6.8	43.7	6	-1.0	34.6

1/ Contribution to LSM growth.
Source: PBS SBP staff calculations

High-frequency indicators, however, suggest that economic activity improved in June after slowing in the previous month

Percentage Distribution of Z-Scores of Economic Activity Indicators (Levels, Stacked Columns) & Real GDP Growth Rate (Triangles)



Source: SBP, PBS, NFDC, APCMA, PAMA, FBR, NEPRA, OCAC, PSX, SBP staff estimates

The PMI also improved in June and July, while capacity utilization remained close to its long-term average

Figure 1: Purchasing Managers Index[1]

(diffusion indices, >50 means expansion/improvement)

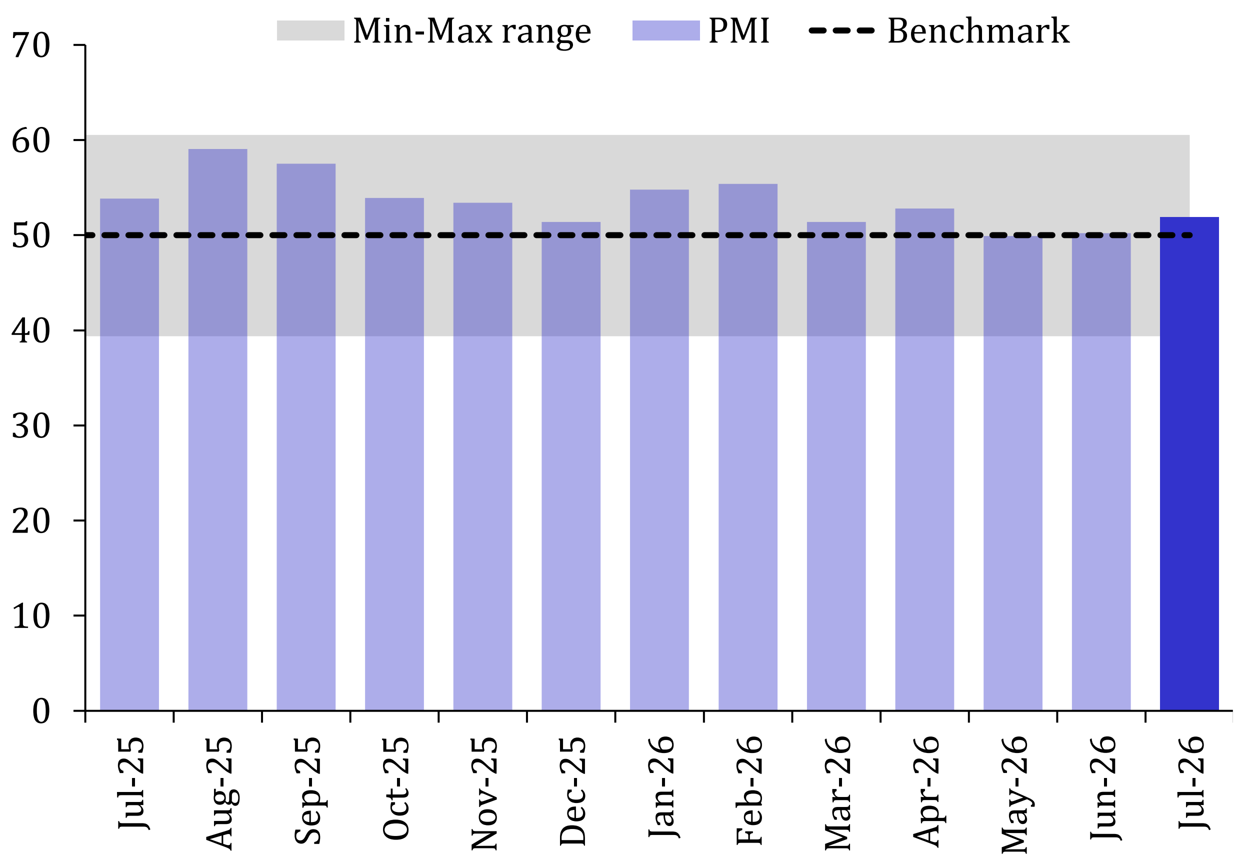
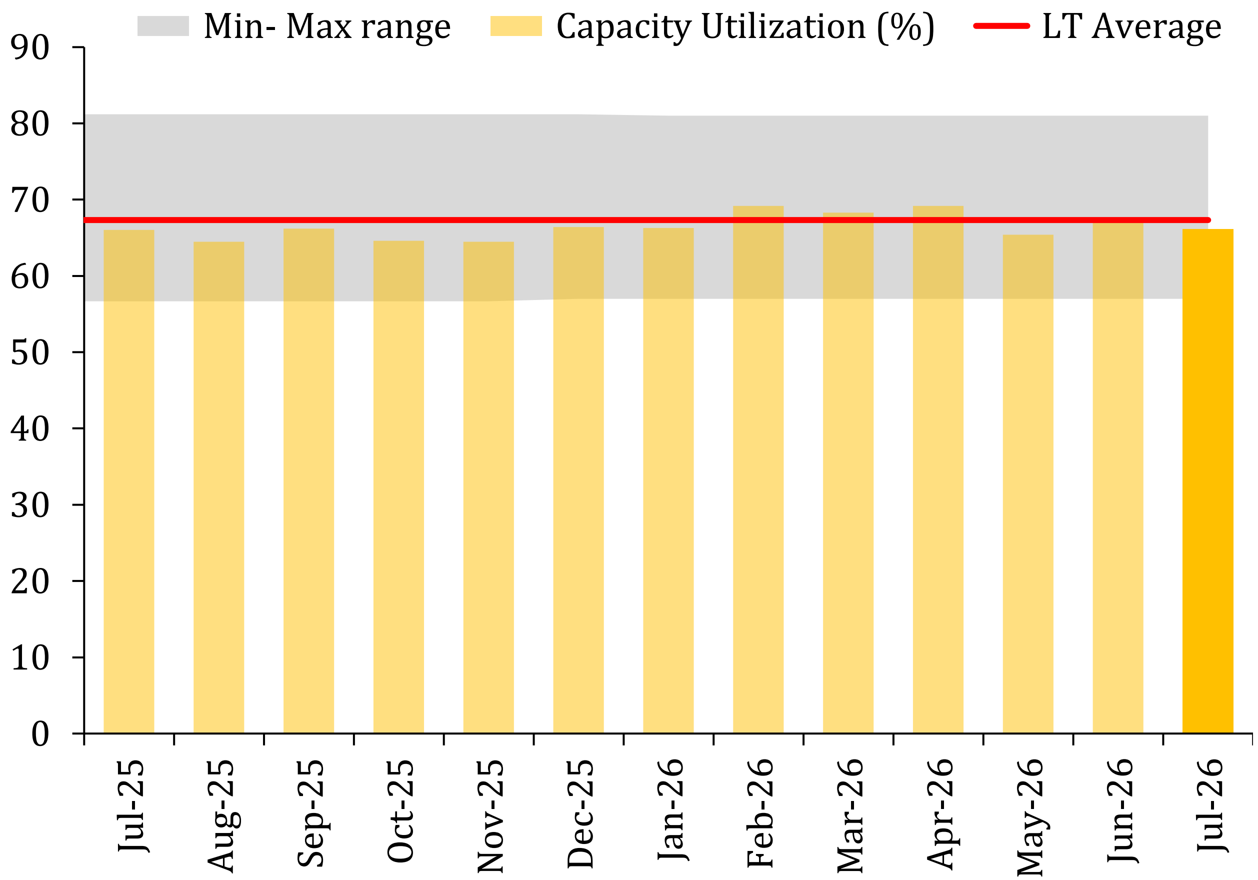


Figure 2: Average Capacity Utilization[2]

(manufacturing sector, percent)



1:Based on historical PMI data since Oct 2017; highest value recorded in Jun 2025, lowest value recorded in Apr 2023

2: Based on historical Average Capacity Utilization data since Oct 2017 (Average=67); highest value recorded in Jun 2021, lowest value recorded in Apr 2020

Source: SBP-IBA Surveys

In line with improving economic activity, private sector credit growth showed a broad-based recovery in June

Figure 1: Credit to Private Sector
(stock in Rs trillion, growth in percent)

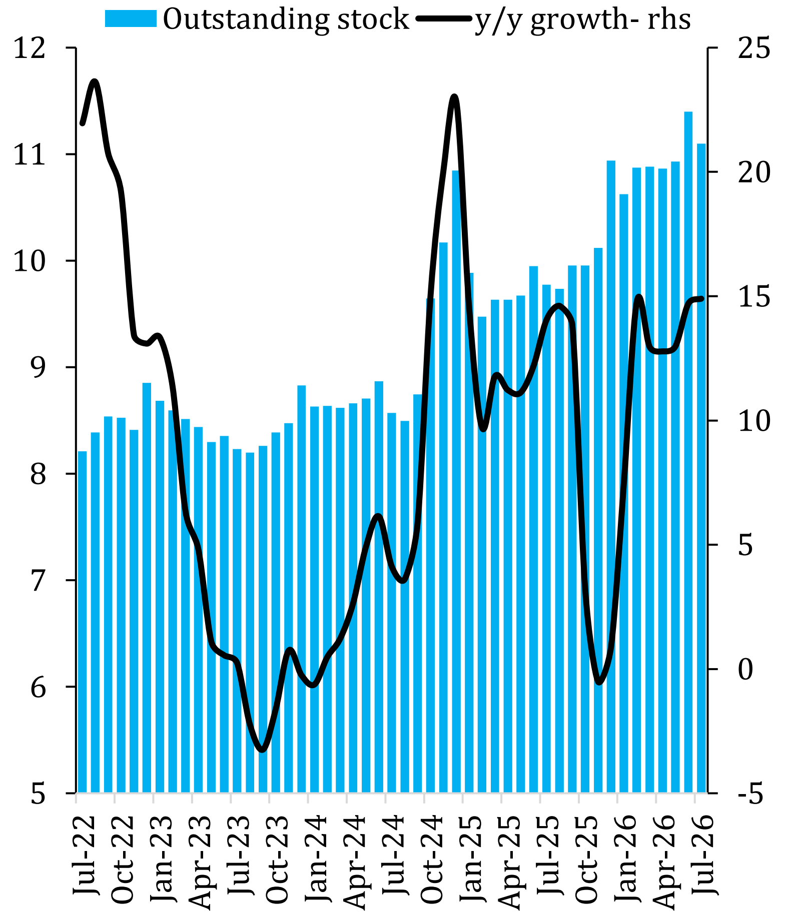


Figure 2: Loans to Businesses
(percent contribution, y/y growth)

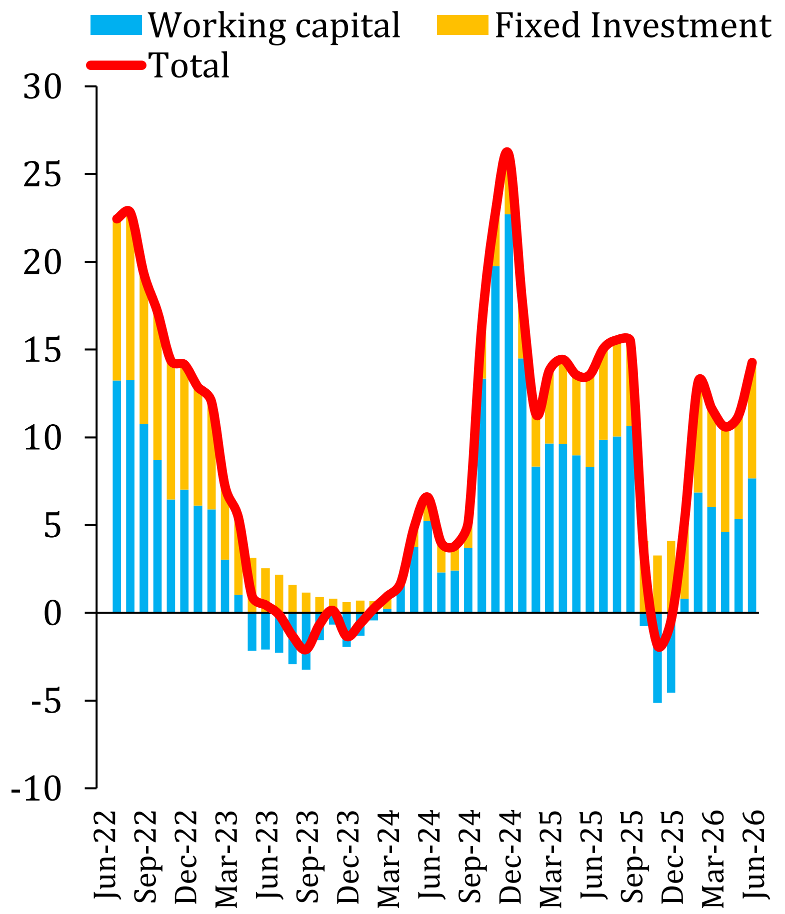
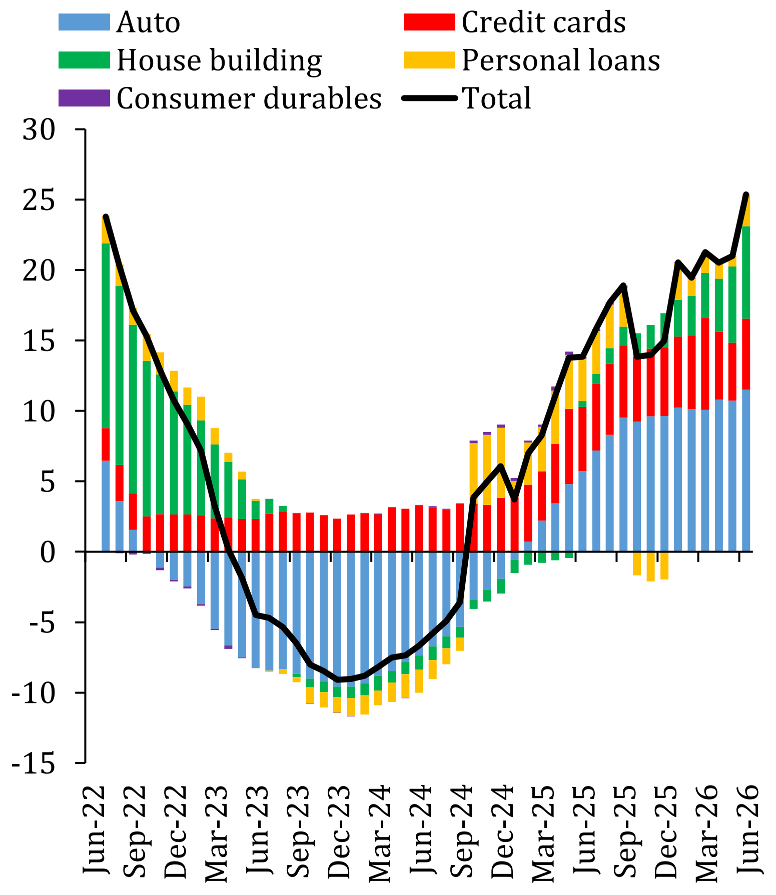
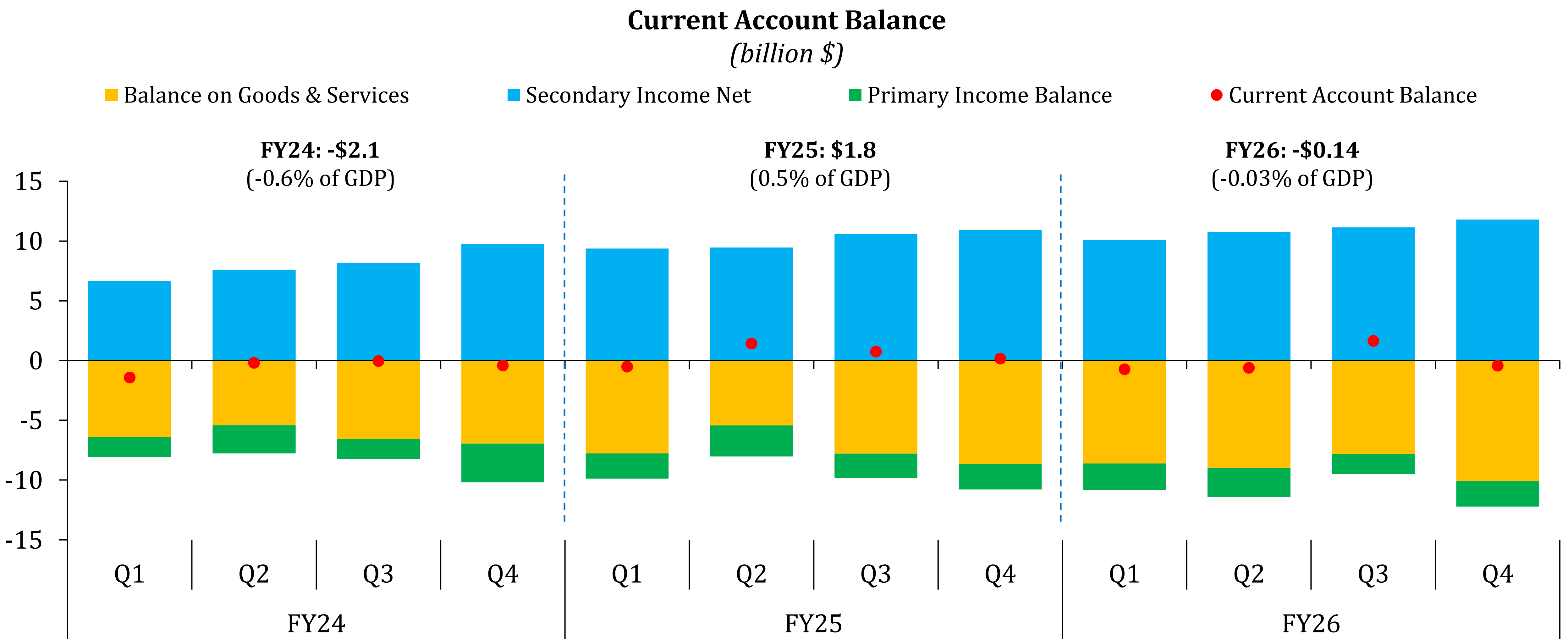


Figure 3: Consumer Financing
(percent contribution, y/y growth)



Note: In Figure 1, the outstanding stock and y/y growth is as of 10th July 2026
Source: SBP

Despite challenging global environment, the current account remained broadly balanced in FY26



Source: SBP

Moreover, SBP’s FX reserves exceeded its end-year target, while forward liabilities recorded a significant decline

Figure 1: Financial Inflows
(billion $)

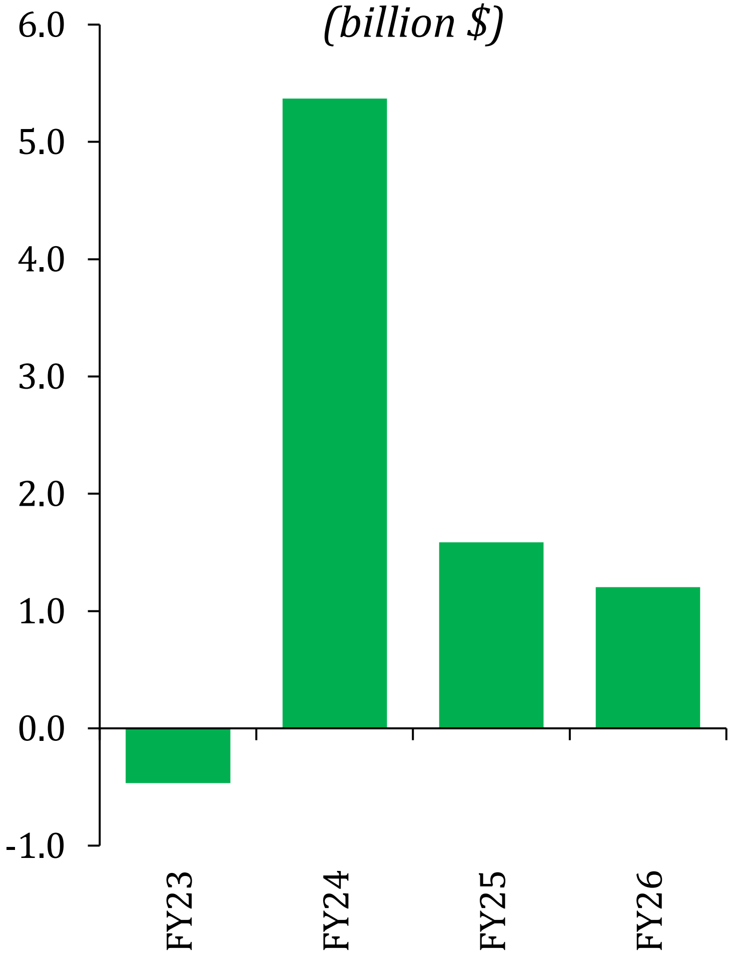


Figure 2: SBP’s Liquid FX Reserves
(billion $)

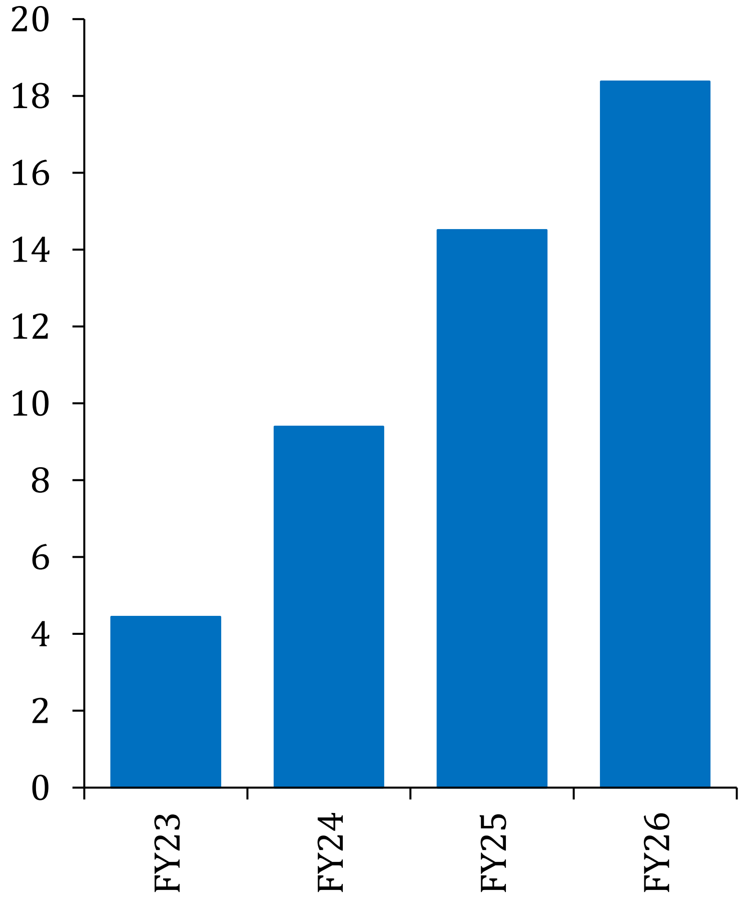
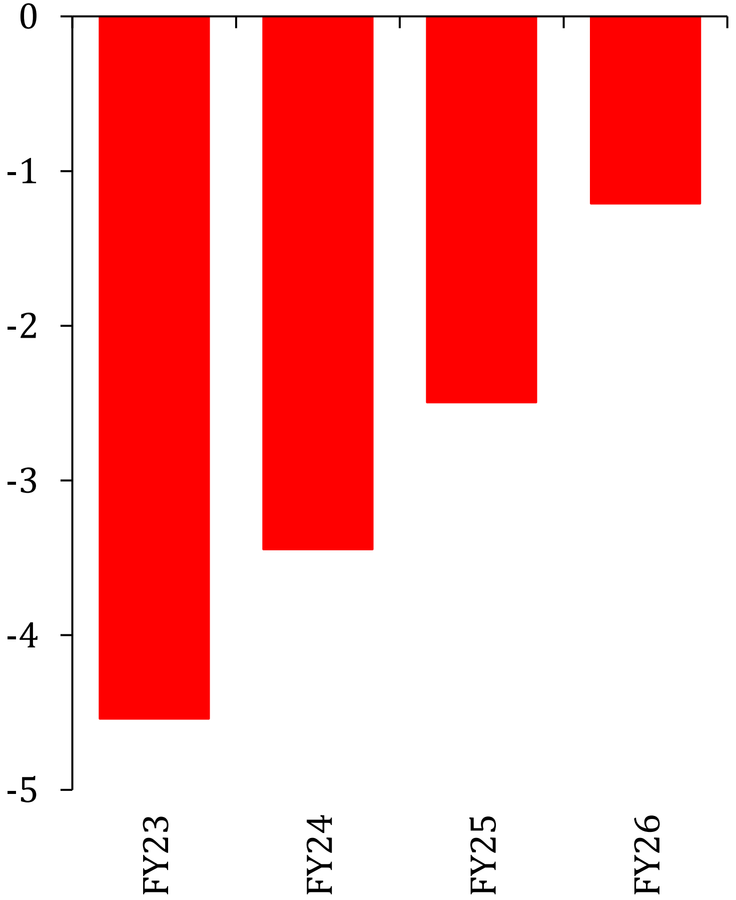


Figure 3: Forward Liabilities
(billion $)



Note: As of July 17, 2026. SBP’s liquid FX reserves are $17.3 billion. Forward liabilities for FY26 are as of May 2026.
Source: SBP

Sustained fiscal discipline is essential to ensure continuation of hard-earned macroeconomic stability

Figure 1: Overall Balance
(percent of GDP)

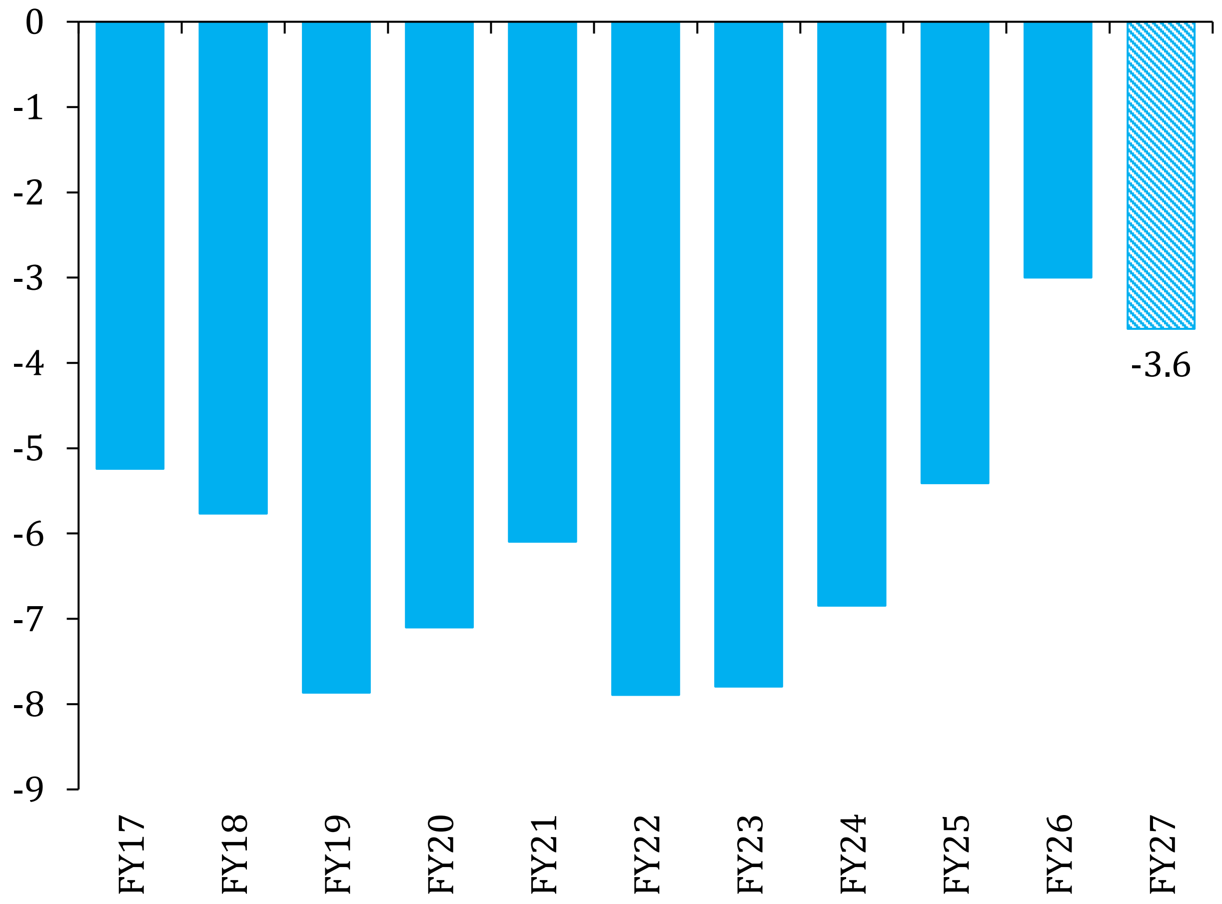
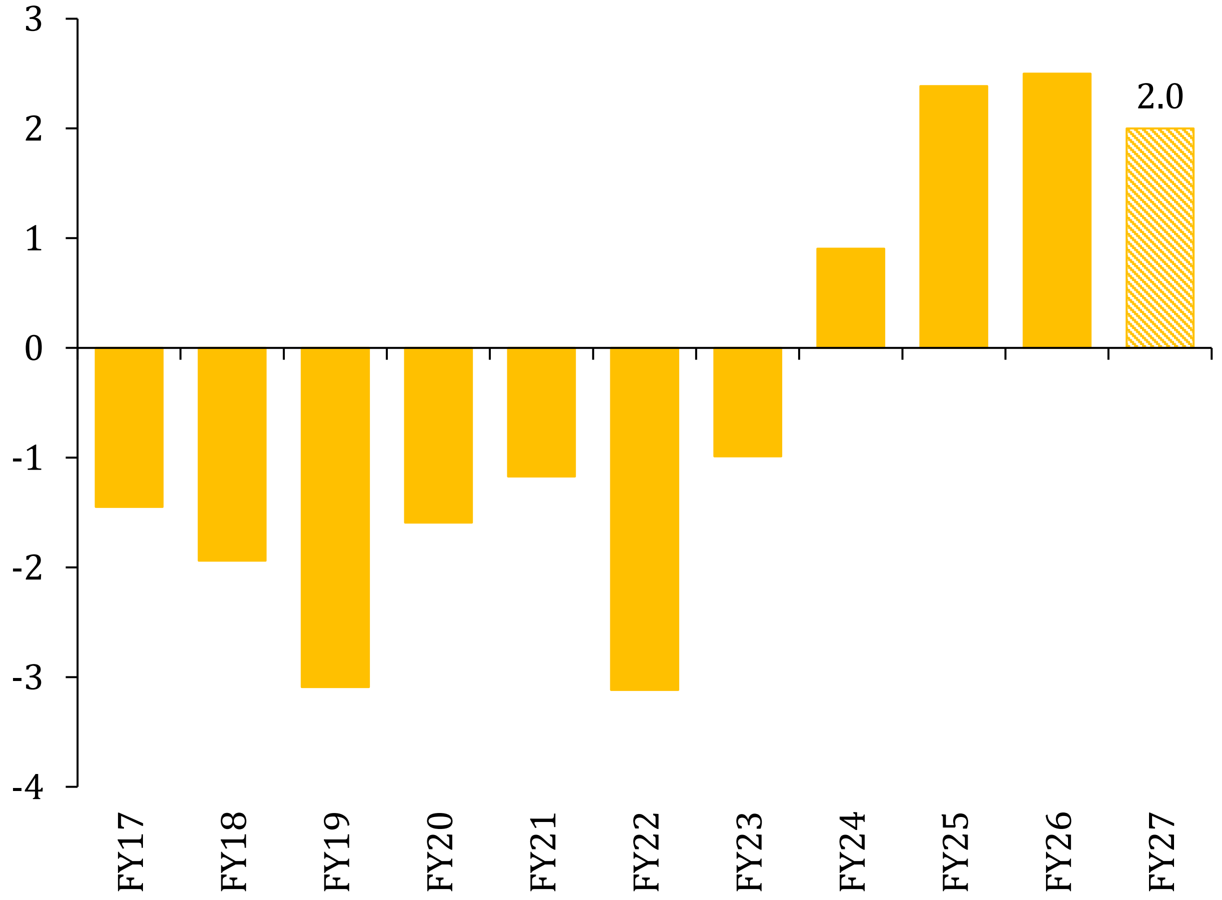


Figure 2: Primary Balance
(percent of GDP)



Note: FY26 and FY27 overall and primary balances are as reported in the budget documents.
Source: Ministry of Finance (MoF)

Growth in monetary aggregates decelerated in recent months

Figure 1: M2 Growth
(percent contribution, y/y growth)

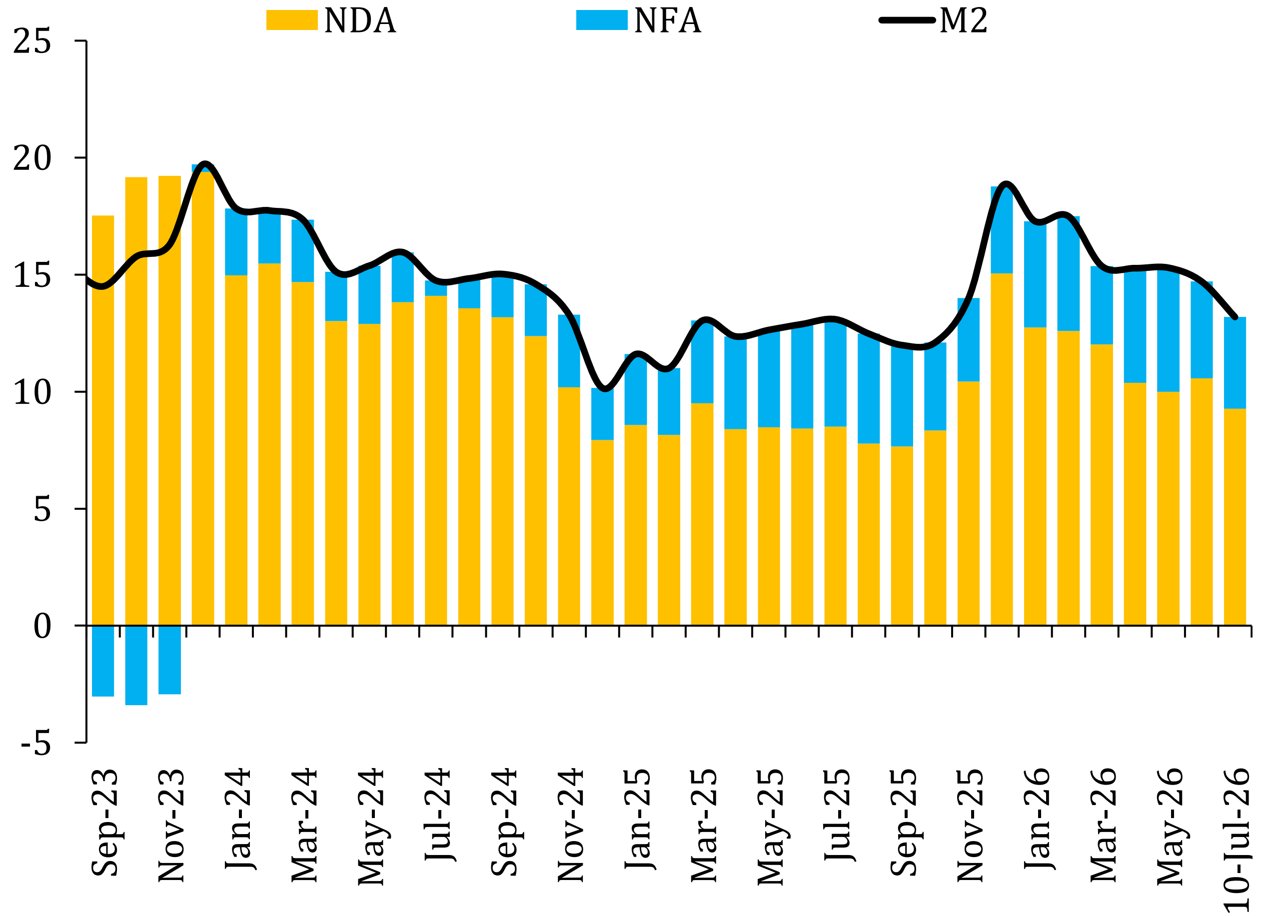
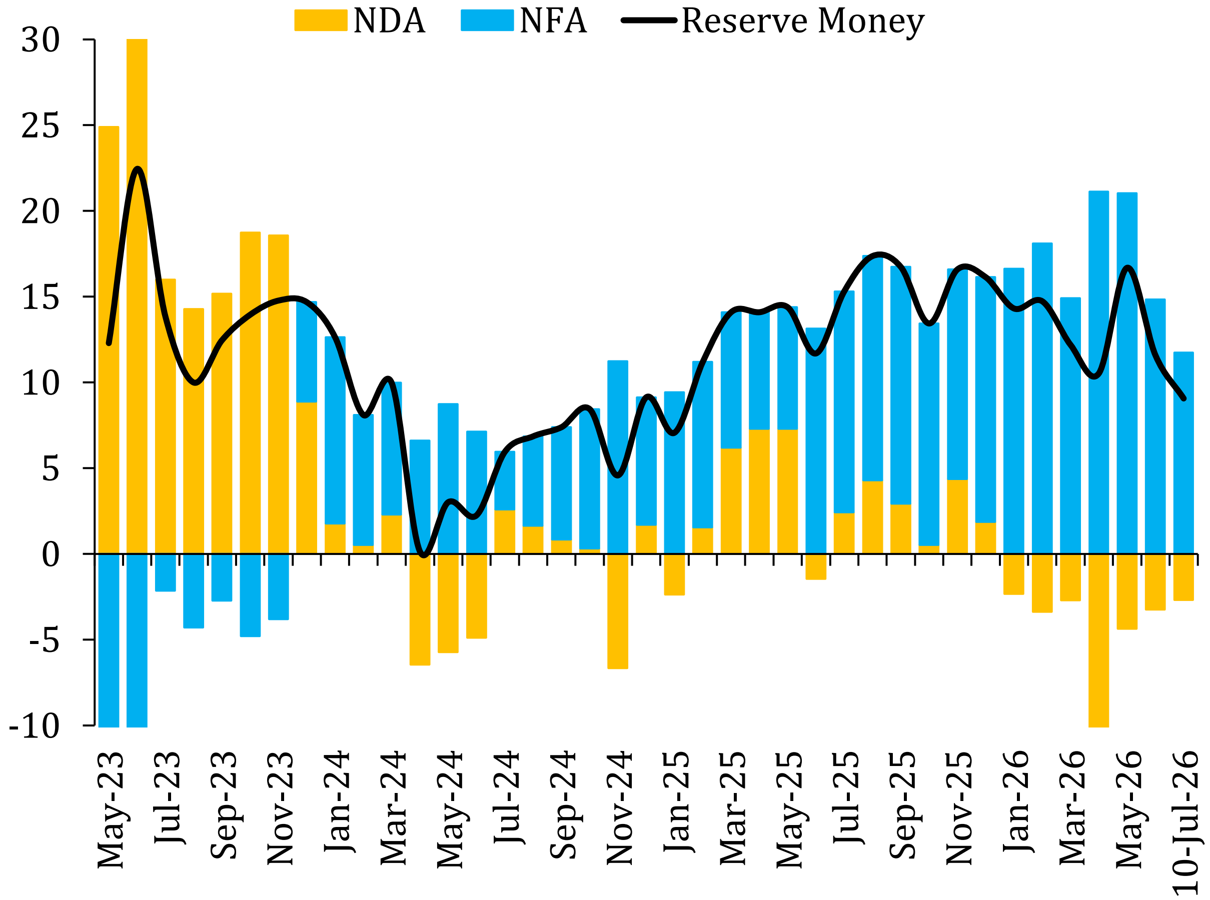


Figure 2: Reserve Money Growth
(percent contribution, y/y growth)

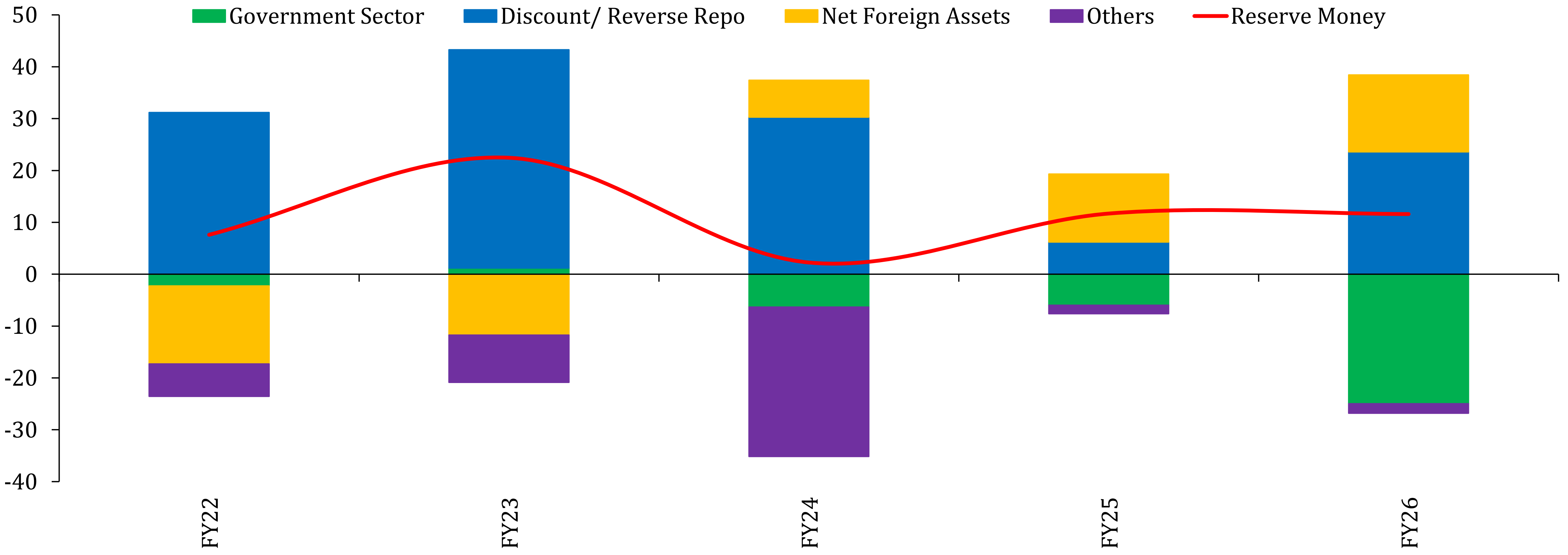


Source: SBP

A prudent monetary and fiscal policy mix has helped contain the growth of the reserve money along with improvement in its composition

Reserve Money Growth Composition

(percent contribution, y/y)



Source: SBP

Prudent monetary and fiscal policies helped sustain economic growth without adding excessive pressures on external account and inflation

Figure 1: Inflation *(percent)*

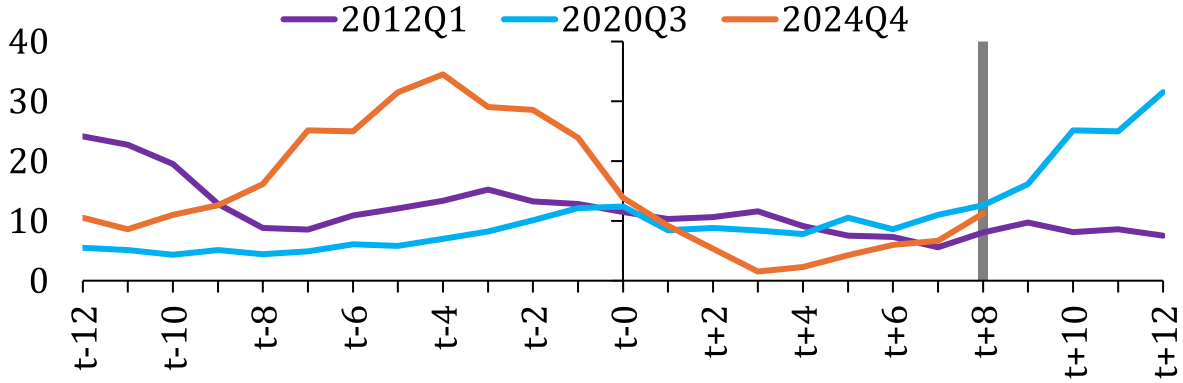


Figure 2: Policy Rate *(percent)*

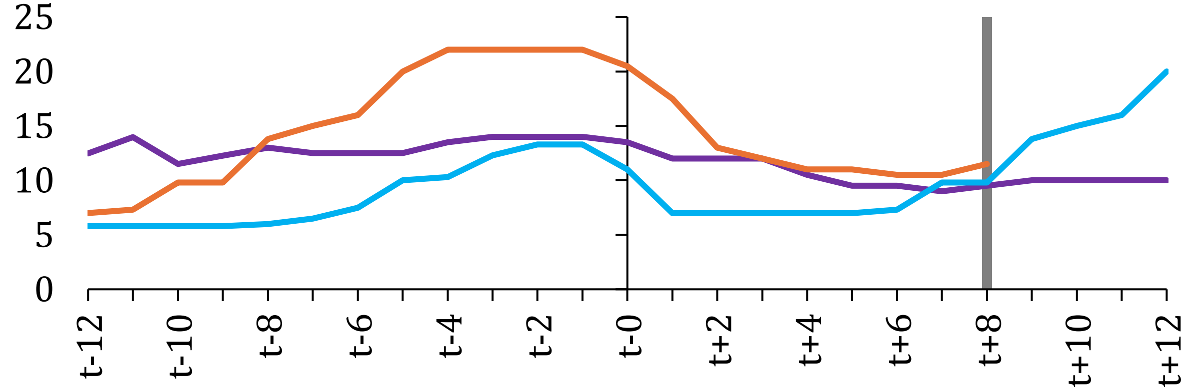


Figure 3: GDP Growth *(percent)*

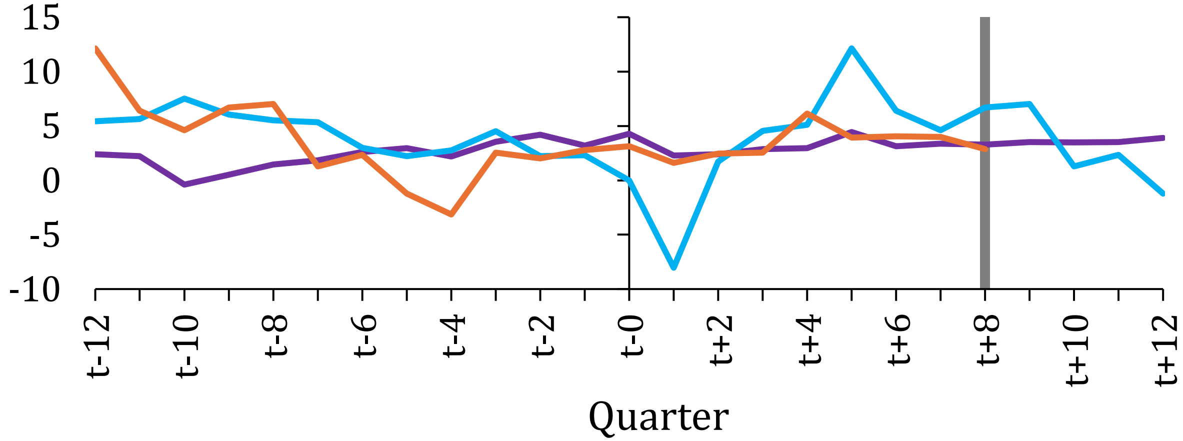
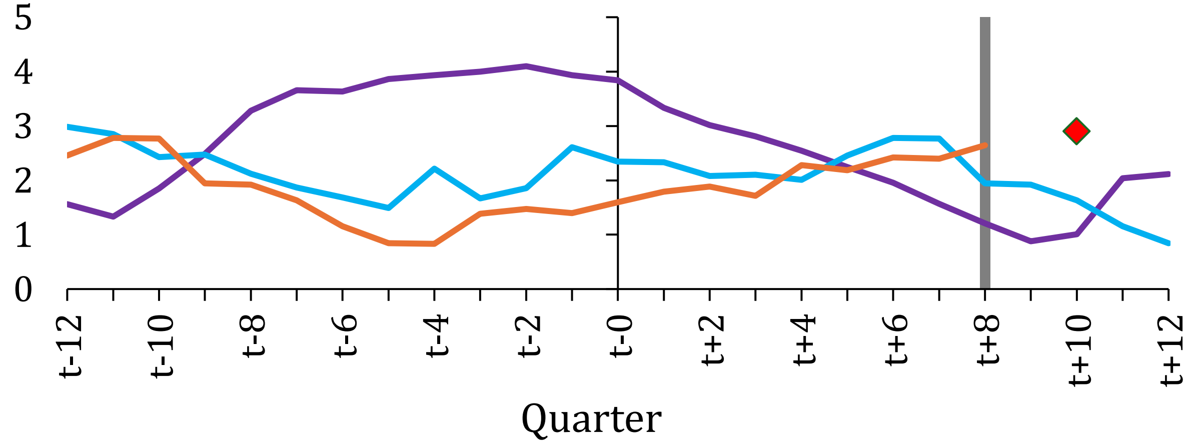


Figure 4: Import Cover *(# of months)*



Note: Quarters are based on fiscal year (July-Jun) basis.
Source: PBS, SBP

Proactive policy actions and better initial macroeconomic conditions are helping contain the impact of the Middle-East conflict

Figure 1: Oil Prices
(USD/barrels)

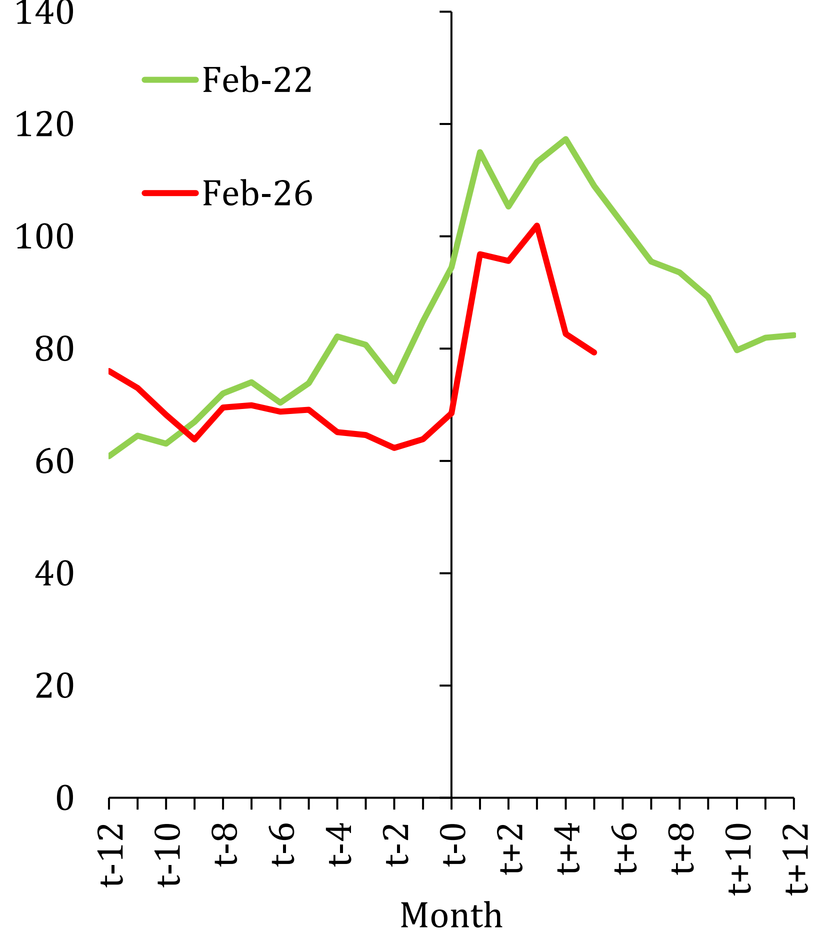


Figure 2: Inflation
(percent y/y)

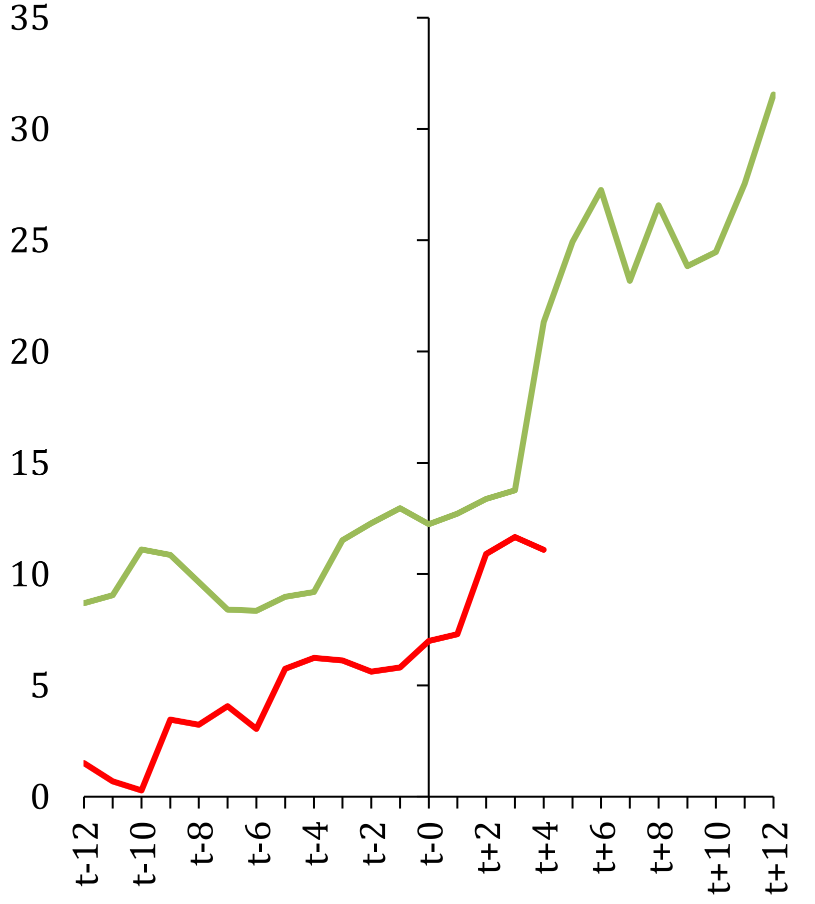
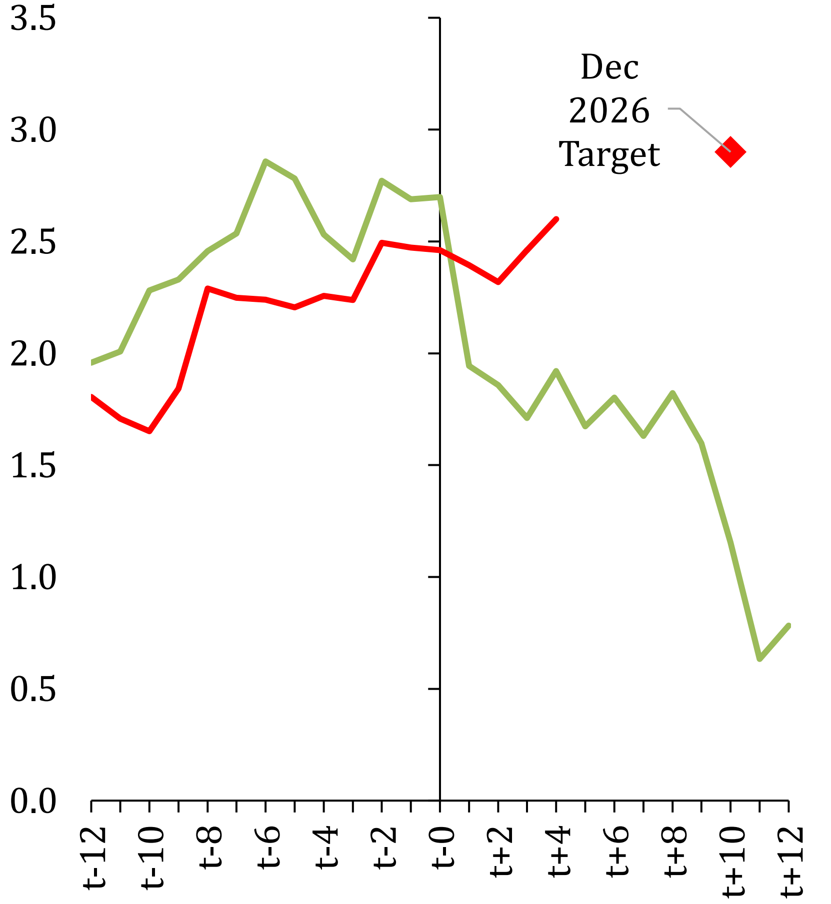
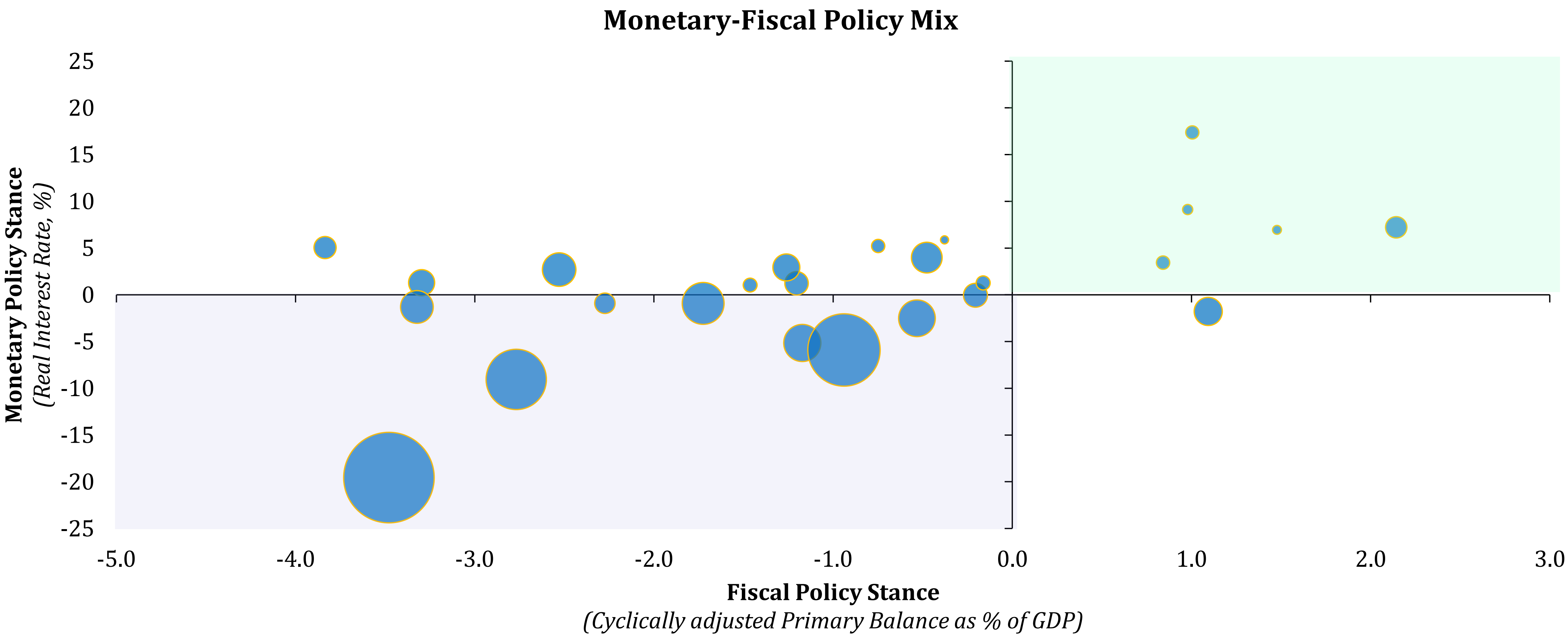


Figure 3: Reserve Coverage
(# of months of imports)



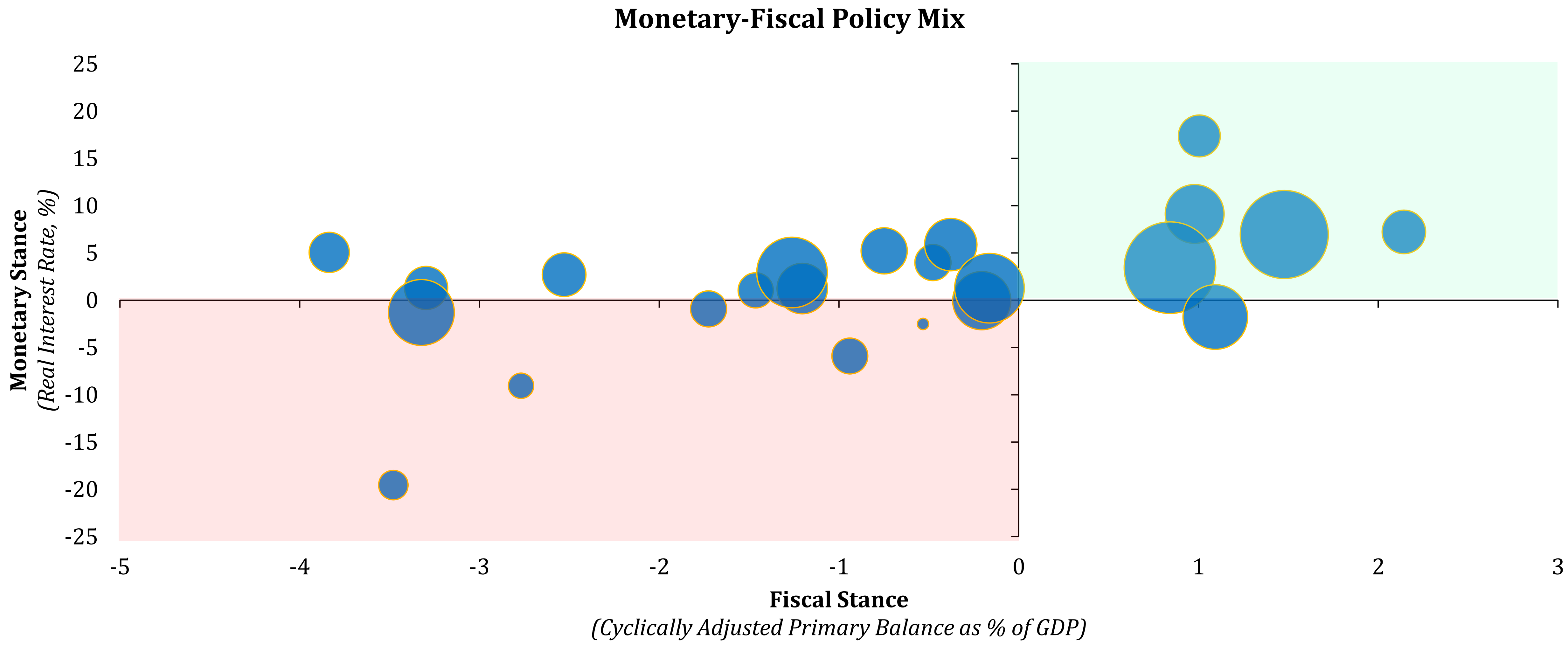
Note: Oil prices for July 2026 are daily average till 27th July
Source: Bloomberg, PBS, SBP

Prudent monetary-fiscal policies are associated with lower inflation



Notes: Real interest rate is calculated as the average policy rate minus the 12-month-ahead average headline inflation. Bubble size shows inflation at t=0 . Data is from FY01 to FY26.
Source: MoF, SBP

A prudent monetary and fiscal policy mix is also essential for sustainable economic growth



Notes: Real interest rate is calculated as the average policy rate minus the 12-month-ahead average headline inflation. Bubble size shows growth at t+2 years. Data is from FY01 to FY26.
Source: MoF, SBP

S&P's upgrade of Pakistan's sovereign credit rating from B- to B reflects improved macroeconomic stability supported by a prudent policy mix

Improved Sovereign Credit Ratings

	Moody's ratings	S&P ratings	Fitch ratings
Latest	**Caa1** Aug 13, 2025	**B** Jul 22, 2026	**B-** Apr 15, 2025
Earlier	**Caa3** Feb 28, 2023	**CCC+** Dec 22, 2022	**CCC-** Feb 14, 2023

Improved Sovereign Bond Yields

	7-year yield, *16 ppts.*	10-year yield, *27 ppts.*	30-year yield, *17 ppts.*
Dec 30, 2022	**22.8%**	**33.1%**	**25.9%**
July 27, 2026	**7.4%**	**7.9%**	**9.1%**

5-year CDS Spread

7,851 bps
Dec 30, 2022

7,473 bps

378 bps
July 27, 2026

Latest available data as of 27th July 2026.
Source: Bloomberg

Key Takeaways

- MPC remains firmly committed to achieving and maintaining price stability despite heightened risks arising from persistent shocks
- Despite near-term headwinds from adverse supply shocks, GDP growth is expected to gain further traction during FY27
- SBP will continue to build FX buffers to strengthen resilience against external shocks
- Continued fiscal consolidation remains critical to build fiscal buffers and ensure macroeconomic stability, which is essential to achieve sustainable growth.
- Importance and urgency of structural reforms have increased amid recurring supply shocks

Thank you