MINUTES OF THE MEETING OF THE MONETARY POLICY COMMITTEE (MPC)
HELD AT KARACHI ON MONDAY, OCTOBER 26, 2026 AT 11:30 AM

P R E S E N T

Mr. Jameel Ahmad	Chairperson & Governor SBP
Mr. Saleem Ullah	Deputy Governor
Mr. Muhammad Amin Khan Lodhi	Deputy Governor
Mr. Muhammad Ali Malik	Deputy Governor
Mr. Fawad Anwar	Director SBP Board
Mr. Najaf Yawar Khan	Director SBP Board
Mr. Muhammad Ali Latif	Director SBP Board
Dr. Hanid Mukhtar	External Member
Dr. Naved Hamid	External Member
Dr. S.M. Turab Hussain	External Member
Mr. Fayyaz ur Rehman	Corporate Secretary

Review of Current Economic Conditions and Outlook

1. The staff apprised the Committee on global and domestic economic developments since the last MPC meeting held on September 14, 2026. They presented assessment and analysis of evolving trends in major macroeconomic indicators to the Committee along with key assumptions underlying the baseline projections for FY27.

2. Discussing the global trends and developments, the staff apprised the MPC that since the last MPC meeting, global inflation forecasts for CY27 have been revised upwards in the World Economic Outlook (October 2026) while global growth projections have remained broadly unchanged. Furthermore, recent increase in geo-political tensions have further hampered trade flows through the Strait of Hormuz and Bab-al Mandab. The staff emphasized that since the last MPC meeting, global oil prices have remained at an elevated level, whereas the volatility in prices remained lower. Furthermore, information from prediction markets also points towards a low probability of Strait of Hormuz traffic normalizing in the near-term. The staff also highlighted that LNG prices have increased further amid reduction in global supplies. The staff also stated that the global El-Nino conditions have worsened since the last MPC meeting, exerting further pressure on already elevated global agricultural commodity prices.

3. The staff apprised that headline inflation in both Advanced Economies and Emerging Markets increased in September 2026, while core inflation also inched up. An increasing number of central banks have increased their policy rates despite a majority of central banks maintaining status quo since the last MPC meeting. Furthermore, the expected future rate paths of both Federal Reserve and ECB remain elevated. The staff also briefed the Committee on the energy price assumptions for the macroeconomic projections.

4. Discussing the external sector, the staff stated that the current account deficit was recorded at USD 874 million in Q1-FY27. Led by rice and HVA textiles, exports are recovering whereas workers' remittances have remained robust in Q1-FY27. The staff presented the findings and insights of the Economic Agents Network (EAN) on exports, indicating that certain categories of exports such as rice, textiles and IT services reported growth since the last MPC meeting despite higher freight charges and geo-political uncertainties. At the same time, imports are also rising sharply, led by non-energy imports, in line with recovery in economic activity. Going forward, imports are expected to increase further on account of elevated energy prices. Based on ongoing trends of rice and HVA-textile exports and price outlook of key export items, export

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growth projections for FY27 have been revised upwards since the last MPC meeting. The staff also apprised that FY27 projections for workers' remittances have been revised upward to USD 45 billion due to increased inflows in Q1-FY27 and various incentive initiatives including newly launched 'Pasban' scheme. Overall, the current account deficit is likely to remain in the range of 0-1 percent of GDP for FY27.

5. Discussing the financial account, it was briefed that higher receipts of Eurobonds have contributed to sizable surplus during Q1–FY27. The projected financial account inflows along with continued FX purchases would further strengthen FX buffers. However, the outlook remained subject to risks from elevated global commodity prices, supply side constraints and tighter international financial conditions.

6. Discussing inflation, the staff apprised that month-on-month (m/m) inflation in September 2026 turned out to be higher than earlier assessment, primarily due to a sharp uptick in energy prices. It was apprised that on y/y basis, inflation in September 2026 remained elevated at 10.3 percent mainly due to higher prices of key food and energy items. Heightened geo-political tensions and higher electricity tariffs contributed to energy inflation, while increase in prices of wheat and allied products put upward pressure on food inflation. However, core inflation moderated to 8.4 percent in September 2026 in line with earlier assessments from 8.6 percent in August 2026. Nevertheless, prolongation of the conflict and consequent higher energy and food prices have increased the risks to core inflation going forward. Discussing inflation surveys, the Committee was apprised that inflation expectations for consumers have increased significantly, while inflation expectations for businesses eased. It was also noted that professional forecasters had also revised their inflation expectations upward.

7. The staff briefed that the outlook for inflation in FY27 has been revised upwards. The prolonged elevated levels of international commodity prices, increased food inflation through wheat and allied products and upward adjustment in electricity tariffs contributed to this revision in the inflation outlook. This assessment is subject to risks from any further increase in global fuel prices, administered adjustments in electricity and gas tariffs as well as food price volatility linked to worsening El Niño conditions.

Model-Based Assessment

8. The staff apprised the Committee of the assumptions underlying the model-based assessment. The staff presented the baseline inflation projections conditional on unchanged policy rate path and compared them with the inflation projections discussed in the previous MPC meeting. The staff also highlighted the forecast horizon in which baseline inflation projections would converge to the target range.

9. The staff also discussed the uncertainty around the baseline projections for inflation and GDP growth. The Committee deliberated inflation projections under alternate scenarios based on different assumptions and conditional on alternate policy rate paths.

Real, Fiscal, and Monetary Sectors

10. The staff presented real sector developments using both satellite-based and traditional economic activity indicators. The staff apprised the Committee that economic activity had started to recover during the first quarter of FY27, after significant slowdown during the last quarter of FY26. LSM grew by 1.9 percent during July-August FY27, against a contraction during May and June 2026. Most of the other high frequency indicators including automobile, cement and POL sales also reflected improvement in economic activity.

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11. These trends were further corroborated by satellite-based indicators, where both nighttime lights' intensity and gas emissions increased; reflecting pickup in underlying economic activity in Q1-FY27. The staff also apprised the Committee about findings of EAN from the firms' interviews, which suggest stable demand outlook for most of the industrial sector with expectations of slight moderation for Q2-FY27, mainly on account of increased energy costs. Moreover, latest sentiments surveys showed that both the business and consumer sentiments slightly weakened in October 2026. .

12. The staff then discussed the economic growth outlook, where it was apprised that initial estimates for Kharif crops remain better than earlier assessments; improving the agriculture sector outlook for FY27. However, the real GDP growth outlook for FY27 has remained broadly unchanged from the last MPC meeting since relatively better prospects of agriculture sector were offset by adverse impact of higher energy prices. In line with earlier assessments, real GDP growth is projected to range between 3.5 to 4.5 percent in FY27. The staff also informed the Committee about the major risks to this outlook including further intensification of the Middle East conflict and adverse effect of climate conditions on major crops.

13. Regarding the fiscal sector, the staff highlighted that FBR tax collection grew by 11.5 percent y/y in September 2026, recovering from a marginal contraction of 0.3 percent in August. Cumulatively, FBR revenue expanded by 7.0 percent during Q1-FY27, surpassing the target by Rs 33 billion. Supported by a substantial SBP profit transfer and continued expenditure restraint, both the overall and primary balances are assessed to remain in surplus during the first quarter. Looking ahead, fiscal consolidation is projected to continue, with the primary and overall fiscal balances expected to remain at their respective budgetary targets.

14. On monetary aggregates, the staff stated that Broad Money (M2) growth increased to 12.7 percent y/y as of October 9, 2026, as compared to 11.4 percent as of August 28, 2026. This increase was primarily driven by expansion in Net Foreign Assets (NFA). On the other hand, Net Domestic Assets (NDA) contribution to M2 growth declined reflecting reduced net budgetary borrowing. Within NDA, an increase in private sector credit was more than offset by a decline in net budgetary borrowing from scheduled banks. On the liability side, stronger deposit accumulation relative to Currency in Circulation (CiC) led to a slight decline in the currency-to-deposit ratio.

15. The MPC was apprised that the Private sector credit (PSC) growth accelerated to 14.1 percent y/y as of October 9, 2026, up from 13.5 percent on August 28, 2026, reflecting a gradual pickup in economic activity. This credit expansion was broad-based, supported by increased demand for both working capital and fixed investment loans, with major borrowing sectors included textiles, agriculture, and wholesale and retail trade. Concurrently, consumer finance maintained an upward trajectory, driven by strong uptake in auto and housing finance. Going forward, private sector credit is anticipated to sustain its momentum alongside the projected recovery in economic activity.

Financial Markets and Reserve Management

16. Regarding monetary policy implementation, the staff reported that the overnight repo rate averaged 11.82 percent during the review period. The SBP's average liquidity support decreased from PKR 15 trillion in the last MPC review period to PKR 13.78 trillion during the current review period.

17. On developments in the domestic debt markets, the Committee was apprised that the secondary market yield curve shifted upward by 35-63 bps since the last MPC meeting.

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18. It was apprised that the Government adhered to its auction targets during the review period, despite continued higher participation in the auctions. Furthermore, government's debt portfolio's re-pricing and maturity profile continued to improve while the outstanding stock of government securities marginally increased during the period under review.

19. The staff informed the Committee that the sovereign yields increased slightly highlighting tightening global financial conditions amid geopolitical uncertainties.

20. In the foreign exchange market, the PKR appreciated by 0.2 percent against the US dollar since the last MPC meeting, while the US dollar strengthened by 2.2 percent against a basket of major currencies over the same period.

Monetary Policy Deliberations and Decision Vote

21. The MPC decided to increase the policy rate by 50 bps with a majority vote of nine out of ten members. One member voted to increase the policy rate by 100 bps.

DECISIONS:

- *The policy rate is increased by 50bps.*
- *The Monetary Policy Statement – October 2026 is approved.*

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