

MINUTES OF THE MEETING OF THE MONETARY POLICY COMMITTEE (MPC)
HELD AT KARACHI ON MONDAY, SEPTEMBER 14, 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 July 27, 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, the blockage of Strait of Hormuz has continued to affect trade transits. Furthermore, transits through Strait of Bab-al Mandab also declined marginally in recent days. Subsequently, due to reescalation of conflict in the Middle East, energy prices started to further increase since the last MPC meeting. The staff apprised that LNG prices increased further in light of reduction of supplies from Qatar. The staff also stated that the probability of occurrence of Super El-Nino has risen since the last MPC meeting. In addition, the worsening global El-Nino conditions continued to exert pressure on already elevated global agricultural commodity prices.
3. The staff apprised that headline inflation in both Advanced Economies and Emerging Markets increased in August 2026, while core inflation remained elevated. A larger number of central banks have continued to maintain status quo since the last MPC meeting. Furthermore, the expected future rate paths of both Federal Reserve and ECB have increased. 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 remained close to the lower bound of the projected range of 0-1 percent of GDP in FY26. On the outlook for external sector, the staff apprised that the current account deficit is likely to remain in the range of 0-1 percent of GDP for FY27 with exports, imports and workers' remittances all projected to increase. It was apprised that export growth projections have been revised upward for FY27 due to improving unit prices of key export items. The staff also presented the findings and insights of the Economic Agents Network (EAN) on exports, indicating that certain categories of exports such as rice and textile are expected to experience an upturn, despite likely higher freight costs in the next quarter. Discussing imports, it was apprised that based on recent data and increase in the global commodity prices, imports are projected to increase further in FY27. It was also apprised that in line with recent data outturns, workers' remittances are projected to remain unchanged

at USD 44 billion for FY27, even after accounting for below-average emigration of workers to the GCC region.

5. Discussing the financial account, it was apprised that the receipts from Eurobonds along with continued FX purchases helped increase SBP's FX reserves to over USD 21 billion. This projected financial account surplus is expected to help in further strengthening of the FX buffers. However, the outlook remained subject to risks from geopolitical developments affecting trade conditions, global commodity price volatility, impact of adverse climate conditions on crops, and supply constraints amidst the unfolding developments in the Middle East.

6. Discussing inflation, the staff apprised the Committee that y/y inflation in July 2026 and August 2026 was 9.2 percent and 11.1 percent, respectively. Food inflation was a major driver of overall inflation over the past two months, with higher prices of wheat and related products, as well as perishable items pushing food inflation up, especially in August 2026. While a favorable base-effect led to some ease in energy inflation in the last two months, the resurgence of the conflict in the Middle East continued to keep it at elevated levels. This is also contributing to stickiness in core inflation via second-round impacts, though lower than earlier assessments. Core inflation inched up moderately to 8.7 percent in August 2026 from 8.4 percent in July 2026. It was apprised that the recent ease in energy inflation is primarily due to favorable base effect. Furthermore, changes in the pricing mechanism of domestic High-Speed Diesel (HSD) related products are expected to have favorable second round effects. In addition, higher than expected increases in prices of wheat and its allied products as well as greater volatility in perishable food items may push food inflation higher in the near-term. Discussing inflation surveys, the Committee was apprised that recent re-intensification of geopolitical tensions has contributed to some increase in inflation expectations of both consumers and businesses. It was also noted that professional forecasters had revised their inflation expectations upward, particularly for the near term.

7. The Committee was apprised that on balance, the outlook for inflation in FY27 remains broadly unchanged and inflation is expected to ease gradually towards the upper-bound of the 5-7 percent target range by June 2027. However, risks to this outlook have increased primarily due to the resurgence of hostilities in the Middle East which is pushing international petroleum prices to very high levels. Other risks to this outlook include volatility in global commodity prices, unanticipated adjustments in administered energy prices and unfavorable climate conditions and its impact on food prices in the wake of 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 inflation projections conditional on unchanged policy rate path and compared them with the inflation projections discussed in the previous MPC meeting. The staff highlighted the forecast horizon in which the inflation path would converge to the target range. The staff elaborated upon the reasons for the recent uptick in inflation as well as the factors driving inflation trajectory towards 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 LSM growth contracted by 3.5 percent during June 2026 amidst conflict-induced surge in input costs and imposition of austerity measures. Nonetheless, LSM still recorded a broad-based growth of 5 percent in FY26. Most of the High Frequency Indicators (HFIs) including automobile, cement and Petroleum, Oil, & Lubricants (POL) sales reflect improved economic activity during July 2026. Moreover, findings of EAN suggest stable demand outlook for most of the industrial sector. Discussing the agriculture sector, it was apprised that area under cultivation for rice and sugarcane increased, while it decreased in the case for cotton. On balance, this has slightly improved the agriculture sector's outlook. During August and September 2026, confidence surveys showed mixed results in economic activity. It was apprised that index of business sentiments moderated in September 2026, while Purchasing Manager's Index (PMI) improved. It was also apprised that consumer confidence remained broadly unchanged in the last few waves of the survey.

11. Discussing the satellite-based indicators, it was stated that economic activity is expected to improve during July-August FY27. Gas emissions in major industrial centers indicated increase in transport and industrial activity. Although, during the month of August 2026, gas emissions were lower due to the strike by transporters. Similarly, nighttime lights intensity improved across major cities, signaling sustained momentum in urban commercial activity. The staff also added that despite recent rainfalls, satellite-based imagery suggests some weakening in vegetation conditions for Kharif crops.

12. Overall, the real GDP growth outlook for FY27 has been assessed to slightly improve, based on relatively better prospects of agriculture sector, LSM growth, and ICT exports. In line with earlier assessments, real GDP growth is projected to range between 3.50 to 4.50 percent in FY27. The staff also apprised the Committee about the upside and downside risks to FY27 growth outlook. These risks mainly stem from geopolitical developments in the region and the potential impact of worsening El-Nino conditions on major crops.

13. Discussing the fiscal sector, the staff highlighted that fiscal consolidation during FY26 turned out higher than the government's budgetary targets. Overall fiscal deficit narrowed to 2.6 percent of GDP, against the budgetary target of 3.9 percent of GDP. Whereas the primary surplus also improved to 2.9 percent of GDP, surpassing the budgetary target of 2.4 percent of GDP. This consolidation was primarily on account of reduction in current expenditures largely due to lower interest payments. The Committee was apprised that FBR tax collection during July-August FY27 remained broadly on track with targets, though its growth decelerated from the last year. The staff stated that the fiscal outlook for FY27 remained favorable primarily due to higher than budgeted SBP profit transfer to the government. The Committee noted that achieving the annual tax revenue target, nonetheless, remains essential and will demand sustained mobilization efforts amidst a challenging domestic and global environment. The Committee also reiterated the need for structural reforms to support high and sustainable economic growth.

14. On monetary aggregates, the staff apprised that Broad Money (M2) growth decelerated to 11.6 percent y/y as of August 28, 2026, as compared to 13.2 percent as of July 10, 2026. This moderation was primarily driven by lower Net Domestic Assets (NDA) expansion, reflecting reduced net budgetary borrowing. On the liability side, decline in currency-in-circulation has resulted in a slightly lower currency-to-deposit ratio. Reserve money growth moderated to 7.7 percent y/y as of August 28, 2026, reflecting lower contribution of NDA.

15. The staff apprised that private sector credit registered a growth of 13.4 percent y/y as of August 28, 2026. This growth was broad-based with contribution from working capital, fixed investment and consumer financing. Within working capital, sugar, agriculture and wholesale and

retail trade were the major borrowing sectors. While fixed investment increased in agriculture, wholesale and retail trade, and textile sector. At the same time, the main drivers in growth of consumer financing were automobile and house building finance.

Financial Markets and Reserve Management

16. Regarding monetary policy implementation, the staff reported that the overnight repo rate averaged 11.53 percent during the review period. The SBP's average liquidity support decreased from PKR 15.97 trillion in the last MPC review period to PKR 15.08 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 10-68 bps since the last MPC meeting.

18. It was apprised that the government accepted higher amounts in longer term fixed rate instruments, while buyback activities during the period under review led to a modest improvement in debt portfolio's re-pricing and maturity profile. It was also informed that the outstanding stock of government securities also declined slightly during the period under review.

19. The staff informed the Committee that the sovereign yields remained range bound despite uncertain regional geopolitical situation.

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 weakened 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 keep the policy rate unchanged with a majority vote of seven out of ten members. Three members voted to increase the policy rate by 100 bps.

DECISIONS:

- *The policy rate remained unchanged.*
- *The Monetary Policy Statement – September 2026 is approved.*