

**MINUTES OF THE MEETING OF THE  
MONETARY POLICY COMMITTEE (MPC)  
HELD ON APRIL 16, 2020**

**P R E S E N T**

Dr. Reza Baqir	Chairman & Governor SBP
Mr. Jameel Ahmad	Deputy Governor (Banking & FMRM)
Dr. Murtaza Syed	Deputy Governor(Policy)
Dr. Inayat Hussain	Executive Director (FS&BSG)
Mr. Azam Faruque	Director SBP Board
Dr. Tariq Hassan	Director SBP Board
Dr. Asad Zaman	External Member
Dr. Naved Hamid	External Member
Mr. Mohammad Mansoor Ali	Director OCS/Corporate Secretary

**Review of Current Economic Conditions and Outlook for FY20**

1. At the outset, the MPC was apprised of the reasons for holding the emergency meeting and latest economic developments.
2. Firstly, elaborating on reasons for holding the emergency meeting, it was apprised that the International Monetary Fund (IMF) had released earlier in the week key highlights of the IMF World Economic Outlook (WEO). The report suggested that the global economy would experience its worst recession since the Great Depression of 1930. In addition, the report also highlighted sharp reduction in growth projections for emerging market economies (EMEs). It was elaborated that the IMF projected Pakistan's economy to shrink by 1.5pc during the current quarter and grow by 2 percent in FY21. It was apprised that when the new global and domestic growth assumptions were incorporated in the economic models of SBP, the results suggested a downward revision in the policy rate. It was further stated once this information was available and the analysis performed it was important to convene an emergency meeting so the MPC could decide on timely action.
3. Second, it was opined that the SBP's revised inflation projections showed that inflation was expected to average around 9 percent for the next several months. Projections for FY21 showed inflation to be in the range of 7 – 9 percent. Keeping in view the inflation projection of 9 percent for the next several months, the policy rate of 11 percent would imply a real interest rate of 2 percent on a forward looking basis. Thus, it was stated that under the current circumstances, the MPC could consider bringing down the forward looking real interest rate towards zero which would suggest a 200bps cut in the policy rate. However, since emerging markets had so far generally been less aggressive with rate cuts due to their more constrained policy space, it was highlighted that such a significant cut could also carry some risks.
4. Further, it was stated that the latest data such as retail sales, credit card spending, cement sales and mobility data from Google's recently introduced 'Community Mobility Reports' suggested a significant decline in different sectors of the economy in recent few weeks. Thus, with inflation risks receding, the focus of monetary policy needed to appropriately put greater weight on supporting economic activity.
5. The different possibilities of reducing the policy rate between 100 to 200bps, along with their likely effect on the economy and public perceptions were then discussed in detail.

## **Monetary Policy Deliberations and Decision Vote**

6. Concluding the deliberations, the members voted on the policy rate decision.
7. The MPC decided to reduce the policy rate by 200bps with a majority vote of 6 out of 9 members, while 3 members voted for decreasing the policy rate in the range between 100-150bps.
8. The Committee then scripted the Monetary Policy Statement.
9. The Committee decided as follows:

### **DECISION:**

- *The policy rate is reduced by 200bps to 9.0 percent.*
- *The Monetary Policy Statement – April 16, 2020 is approved.*