

**MINUTES OF THE MONETARY POLICY COMMITTEE MEETING**  
**HELD ON APRIL 7, 2022**

**PRESENT**

Dr. Reza Baqir	Chairman & Governor SBP
Dr. Murtaza Syed	Deputy Governor (Policy)
Dr. Inayat Hussain	Deputy Governor (Banking & FMRM)
Mr. Arshad Mehmood Bhatti	Executive Director (BPRG)
Mr. Ali Jameel	Director SBP Board
Dr. Tariq Hassan	Director SBP Board
Dr. Hanid Mukhtar	External Member
Dr. Naved Hamid	External Member
Mr. Mohammad Mansoor Ali	Corporate Secretary/Director OCS

**Review of Current Economic Conditions and Outlook for FY22**

1. The Committee was apprised about developments in key macroeconomic indicators since the last Monetary Policy decision on March 8, 2022, along with an assessment of evolving trends.
2. The staff apprised the MPC that oil prices have slightly moderated since the last MPC meeting but the futures are trading higher and it is anticipated that oil prices would remain at an elevated level for longer than anticipated. Further, the US Federal Reserve has raised the rate for the first time since 2008 and further projects six more hikes in CY22 to reach around 1.75-2.0 percent. Further, it was highlighted that inflation in March 2022 is higher than expected in the last MPC meeting, with core (NFNE) inflation rising significantly in both rural and urban areas, reaching double digit (10.3 percent) in rural areas in March 2022. The national CPI inflation was recorded at 12.7 percent in March 2022.
3. Discussing the Current Account Deficit (CAD), it was highlighted that the CAD narrowed significantly in February 2022 and is expected to be slightly higher for the month of March 2022. In addition, Pakistan's 10-year Eurobond yields have increased to all time highs, while the Credit Default Swap (CDS) spread is at its highest level since 2013. This movement in the yield of the sovereign bond and the CDS spread is mainly attributed to the uncertainties pertaining to IMF program as well as recent political developments. Further, it was apprised that volatility in the foreign exchange market has increased, with the PKR depreciating and foreign exchange reserves falling sharply since the last MPC meeting. It was highlighted that in terms of USD, PKR depreciated by 16 percent since June 2021 and by approximately 5 percent since the last MPC meeting (i.e. March 8, 2022).
4. Presenting the outlook, it was apprised that the inflation projection for FY22 and FY23 has been revised upwards on account of the inflation out-turn in March, upward revisions in the assumptions with respect to the oil price, and the recent depreciation of the PKR.
5. At the same time, it was noted that the contractionary measures so far taken by the MPC have started to bring results. The staff apprised that high-frequency indicators suggest that economic activity continued to moderate.
6. Lastly, the staff discussed the upward revisions in the path of the policy rate as suggested by the FPAS model to bring inflation within the medium-term range, and presented scenario-based analyses based on alternative assumptions for growth, inflation and global oil prices for FY22.

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

7. The Committee unanimously decided to increase the policy rate by 250bps.
8. The Committee then scripted the Monetary Policy Statement.

### **DECISIONS:**

- *The policy rate is increased by 250bps to 12.25 percent.*
- *The Monetary Policy Statement – April 7, 2022 is approved.*