

**MINUTES OF THE MEETING OF THE MONETARY POLICY COMMITTEE (MPC) HELD AT
KARACHI ON MONDAY, MARCH 9, 2026 AT 11:00 AM**

PRESENT

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

Review of Current Economic Conditions and Outlook for FY26

1. The staff apprised the Committee on global and domestic economic developments since the last MPC meeting held on January 26, 2026. They presented assessments and analyses of evolving trends in major macroeconomic indicators to the Committee along with key assumptions underlying the baseline projections.

2. Discussing the global trends and developments, the staff apprised the MPC that the macroeconomic outlook has become uncertain following the outbreak of conflict in the Middle East. The escalation in geopolitical tensions has led to a sharp increase in international energy prices, as well as freight and insurance costs. Since the last MPC meeting, global oil and LNG prices have increased by around 28.1 percent and 38 percent, respectively, as of March 6, 2026 reflecting supply concerns and disruptions to shipping routes in the region. This has led to a deterioration in Terms of Trade (ToT) for the country since the last MPC meeting. In addition, the sharp rise in freight costs indicates heightened supply-chain pressures. It was stated that concurrently the global trade policy uncertainty remained elevated amid the US Supreme Court's decision to strike down the tariffs and subsequent announcements for the re-imposition of 10 percent global tariff by the US administration, which may have implications for global trade flows. Regarding monetary policy stance across other jurisdictions, the staff apprised that most central banks have paused policy rates in recent meetings, including before the start of the conflict, while expectations regarding the future path of interest rates in advanced economies have shifted slightly upward since the last MPC meeting. The staff also apprised the MPC on various oil price scenarios, based on different assumptions regarding the intensity and duration of the conflict in the Middle East.

3. Discussing the external sector, the staff informed that the current account recorded a surplus in January 2026, which helped contain the cumulative current account deficit to around USD 1.1 billion during July–January FY26. Workers' remittances continued to remain strong and financed a significant portion of the trade deficit. Foreign investment inflows inched up slightly, whereas official inflows remained negative on a net basis in January 2026. On balance, the current account surplus enabled SBP to build up its FX reserves through purchases. Discussing outlook, the staff highlighted that the ongoing geopolitical developments may affect the external sector outlook through multiple channels. In particular, higher global oil prices and freight costs are expected to increase the energy import bill and worsen the services account deficit respectively,

while exports may face some pressure due to disruptions in regional trade routes. The staff informed that the workers' remittances are expected to remain resilient during FY26, with inflows projected to rise due to seasonal Eid-related inflows. Despite the emerging challenges, the staff assessed that the current account deficit is likely to remain within the earlier projected range of 0–1 percent of GDP in FY26 in the baseline scenario. Consistent with this assessment and the expected realization of planned official inflows, SBP's FX reserves are expected to reach USD 18 billion by June 2026. At the end, the staff appraised the MPC about the current account and FX reserves projections under alternative oil price scenarios.

4. Regarding the developments related to inflation, the staff stated that the headline inflation increased to 5.8 percent in January and further to around 7 percent in February 2026, largely reflecting the low base effect and adjustments in domestic electricity charges. The staff elaborated that core inflation continues to persist at a relatively elevated level. Discussing the outlook, it was appraised that inflation is expected to increase somewhat faster than earlier anticipation, mainly due to the war-induced surge in global energy prices as well as increases in freight and insurance charges and the low base effect of electricity tariffs. However, some of these pressures are expected to be partially offset by improved supply conditions for key food items and better prospects of agriculture produce for Rabi season. It was also appraised that inflation is expected to remain above 7 percent during the remaining months of FY26; however, the outlook remains subject to significant uncertainty stemming from volatile global commodity prices, unanticipated adjustments in domestic energy tariffs and geopolitical developments.

5. The staff then presented real-sector developments, using both satellite-based and traditional economic indicators. The staff highlighted that economic activity strengthened during H1-FY26, with incoming satellite data and other high-frequency indicators (HFIs) suggesting that the economic momentum continued to pick up in January 2026. In particular, amidst strong growth in gas emissions and nighttime lights, HFIs such as auto sales, domestic cement dispatches, electricity generation, and POL sales (excluding furnace oil) recorded higher growth during July–January FY26, pointing to a sustained recovery in domestic demand and industrial activity. Large-Scale Manufacturing (LSM) also posted a notable growth of 4.8 percent during H1-FY26. This expansion was largely driven by strong performance in key industries, including automobiles, garments, POL, and cement. In terms of sectoral composition, 14 out of the 22 LSM sectors recorded positive growth during H1-FY26, compared to 10 sectors in the corresponding period last year. This suggests that the recovery in manufacturing activity has become relatively more broad-based compared to the previous year.

6. Regarding the economic growth outlook, the staff appraised that vegetation conditions for the Rabi crops remained broadly favorable. In particular, the wheat sowing target set by the Federal Committee for Agriculture has largely been achieved, which bodes well for agricultural output in FY26. Moreover, recent policy and regulatory measures are expected to provide additional support to industrial activity. These include the reduction in the Cash Reserve Requirement (CRR), lower markup rates on loans to exporters by banks, and the downward adjustment in energy tariffs for the industrial sector. Together, these measures are likely to improve liquidity conditions, reduce production costs, and strengthen the outlook for manufacturing. In addition, the anticipated expansion in commodity-producing sectors is expected to generate positive spillover effects for services - particularly wholesale and retail trade, as well as transport and storage. Taking these developments into account, the MPC expects real GDP growth to remain within the previously projected range of 3.75–4.75 percent in FY26. However, the staff also appraised that this outlook remains subject to notable risks, particularly emanating from evolving geopolitical developments in the Middle East and its unfavorable implications for domestic economic activity.

7. The staff highlighted that fiscal consolidation remained intact as overall fiscal balance turned positive at 0.4 percent of GDP in H1-FY26 compared to -1.4 percent of GDP in H1-FY25.

FBR tax revenues grew by 10.6 percent (y/y) during July-February FY26, compared to 25.9 percent growth in the same period last year, which is well below the pace required to meet the revised target. It was further apprised that the geopolitical tension in the Middle East has made the fiscal management even more challenging. In this context, the Committee emphasized the importance of sustaining the momentum of fiscal consolidation, particularly through broadening the tax base and undertaking structural reforms, to ensure macroeconomic stability and sustainable economic growth.

8. On monetary aggregates, the staff informed the Committee that broad money (M2) growth slightly moderated to 16.0 percent (y/y) by February 20, 2026. This was driven primarily by a decline in Net Domestic Assets (NDA), reflecting slower growth in net budgetary borrowing. On the liability side, there was a reversal from the previous MPC meeting as deposits registered a decline due to seasonal factors, while the currency in circulation inched up slightly leading to an increase in the currency-to-deposit ratio. Reserve money growth remained moderate during the same period, with a higher contribution of Net Foreign Assets (NFA) reflecting the buildup in FX reserves and revaluation gains.

9. The staff apprised the Committee that the y/y growth in Private Sector Credit (PSC) witnessed an increase of 11.4 percent since the last MPC meeting after the phasing out of the ADR tax driven decline in PSC in Q2-FY26. Moreover, cumulative weekly PSC flows strengthened markedly by surpassing more than twice the level of the five-year average. In absolute terms, cumulative credit offtake up to February 20, 2026, amounted to PKR 789.7 billion compared to PKR 664.9 billion over the same period last year, driven by both fixed investment and working capital loans to textiles, wholesale and retail trade, and chemicals sectors. Consumer financing continued to increase as well, particularly for auto loans along with a slight increase in house building finance.

Model-Based Assessment

10. The staff presented the model-based inflation projections assuming unchanged policy rate path. This baseline indicates that inflation projections are likely to increase in the near term before gradually moderating over the medium term. Compared to the projections presented in the previous MPC meeting, the staff appraised that inflation projections are revised upward mainly due to the impact of higher global oil prices resulting from the conflict in the Middle East. The staff also discussed alternate scenarios by assuming different paths of global oil prices based on assumptions regarding the duration and intensity of the ongoing conflict in the Middle East.

Financial Markets and Reserve Management

11. Regarding monetary policy implementation, the staff reported that the overnight repo rate averaged 10.70 percent during the review period, which was 20 bps above the policy rate of 10.5 percent. The SBP's average liquidity support, predominantly extended to conventional banks, increased from PKR 13.78 trillion in the last MPC review period to PKR 14.17 trillion during the current review period, reflecting increased liquidity needs.

12. Following the decision to hold the policy rate in the last MPC meeting, secondary market yields, which had declined before the last MPC meeting, adjusted upward in the range of 67-106 bps across different tenors, with larger increases for longer tenors. In line with secondary market yields, the cutoff rates in primary auctions have also increased. The staff apprised that there was net retirement in Market Treasury Bills (MTBs) as the government accepted aggregate amount lower than the maturing amount and the combined target during the review period.

13. The staff conveyed that the Government has continued to accept higher amounts in long-term fixed rate PIBs, while decreasing its acceptance in floating rate PIBs. It was also apprised

that around 53 percent of the government securities have debt maturities of more than three years compared to 41 percent two years ago, indicating noticeable improvement in its debt maturity profile. The staff apprised that the outstanding stock of government securities continued to increase due to higher budgetary needs.

14. The staff informed the Committee that the trend in sovereign yields has reversed and recorded a noticeable increase due to developments in the Middle East. In addition, the benchmark yield (10-year USD Bond) inched up since the last MPC meeting.

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

Results of SBP Surveys for Monetary Policy

16. The staff presented the Economic Agents Network (EAN) insights pertaining to the general economic outlook. The staff apprised that most of the surveys were conducted before escalation of conflict in the Middle East. The staff stated that freight costs have increased while delivery time of tradeable goods is expected to extend due to the usage of longer alternative trade routes. While the scenario is still unfolding, pre-conflict assessment for agriculture was broadly positive. Farmers had an improved outlook for wheat, sugarcane, corn/ maize; while prices of perishable goods remained subdued due to muted exports. The impact of the ongoing Middle East conflict on manufacturing may include higher transportation and energy costs while, in the construction sector, cement input costs including coal price may rise.

17. The staff apprised the Committee on the results of various SBP surveys conducted in February 2026, which did not encompass the impact of the Middle East conflict and resultant fuel price hike announced by the Government. Inflation expectations of both consumers and businesses remained anchored while their confidence improved. It was noted that there was a broad-based increase in the pre-conflict Purchasing Managers' Index, while the Capacity Utilization remained close to its long-run average level in February 2026.

18. The staff shared the survey results of professional forecasters, which were conducted in pre- and post-conflict circumstances. The forecasters moderately increased their inflation projections and lowered their projections for economic growth in the post-conflict scenario. Most considered the situation to be evolving.

Monetary Policy Deliberations and Decision Vote

19. The MPC decided to keep the policy rate unchanged with majority decision of eight out of ten members. Two members voted to increase the policy rate by 50 bps.

DECISIONS:

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