MINUTES OF THE MEETING OF THE MONETARY POLICY COMMITTEE (MPC)
HELD AT KARACHI ON MONDAY, APRIL 27, 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
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 and FY27

1. The staff apprised the Committee on global and domestic economic developments since the last MPC meeting held on March 9, 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 FY26 and FY27.

2. Discussing the global trends and developments, the staff apprised the MPC that the macroeconomic outlook has become increasingly uncertain amid the prolonged Middle East conflict, particularly following disruptions in transit through the Strait of Hormuz. The resulting supply disruptions have significantly affected global energy markets, including crude oil, LNG, and petroleum products. In addition, global oil production declined significantly during the months of February and March 2026, with major reductions observed in key oil producing economies. The staff highlighted that global oil prices have remained elevated since the last MPC meeting, although somewhat lower than the peak levels observed immediately after the escalation of the conflict, while prices of key petroleum products such as diesel have remained relatively high. At the same time, freight and insurance costs have increased sharply due to rerouting of shipments and heightened geopolitical risks. The staff also noted that the ongoing geopolitical developments have led to a deterioration in Pakistan's Terms of Trade (ToT) due to higher global energy prices. In addition, increased freight and insurance costs are expected to widen the external services account deficit while disruptions in regional trade routes may exert pressure on exports. It was further apprised that global financial conditions remain challenging, with most central banks maintaining a cautious stance in recent meetings, while central banks of Advanced Economies are expected to keep tight monetary policy stances in the near term.

3. The staff assessed that global economic conditions are likely to remain uncertain over the near to medium term. Energy prices are expected to remain elevated relative to pre-conflict levels, while supply disruptions and trade uncertainty may weigh on global growth. The outlook remains highly contingent on the duration and intensity of the conflict, with risks tilted towards further volatility in commodity prices and financial markets. Moreover, the IMF World Economic Outlook Report (WEO) of April 2026 projected lower global growth and higher inflation in 2026 amidst the ongoing conflict. Any further escalation may amplify inflationary pressures globally and adversely affect external demand conditions for Emerging Economies. 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.

4. Discussing the external sector, the staff apprised that the current account recorded consecutive surpluses in February and March 2026, resulting in a small cumulative surplus during July–March FY26. This surplus was primarily on the back of higher-than-expected High Value Added (HVA) textile exports. Workers' remittances continued to remain strong and financed a significant portion of the trade deficit. Discussing the financial account, the staff apprised that the government has proactively raised external financing via enhanced bilateral arrangements and issuance of Eurobonds through re-entry in capital market after a gap of over four years, which cushioned the impact of the recent debt and liability repayments on SBP's FX reserves. Furthermore, the staff level agreement was reached with the IMF on March 27, 2026. Despite sizeable external debt repayments, SBP's FX reserves increased to around USD 15.8 billion as of April 24, 2026.

5. Discussing the outlook for the external account, the staff assessed that the current account is likely to remain close to the lower bound of the previously projected range in FY26, despite the challenging external environment. Most notably, exports are expected to decline going forward on account of the ongoing conflict. For FY27, external pressures are expected to persist due to elevated energy import costs and global uncertainty. However, continued resilience in workers' remittances and the realization of planned official inflows are expected to support external buffers. In this regard, SBP's FX reserves are projected to exceed USD 18 billion by end-June 2026. However, the outlook remains subject to risks from global commodity price volatility, geopolitical developments, uncertainties surrounding external financing, and potential risks to remittances due to downward revisions in global growth in general and for Gulf Cooperation Council (GCC) in particular.

6. Discussing inflation, the staff stated that headline inflation increased to 7.3 percent in March 2026, while core inflation inched up to 7.8 percent. The increase in inflation was driven by pass-through of sharp increase in global energy prices to domestic prices as well as base effects. The staff elaborated that fuel price adjustments have started to transmit into core inflation through transport fares and related costs, indicating the emergence of earlier signs of second-round effects of inflation. However, food inflation remained relatively contained so far due to improved supply conditions for key commodities, which helped partially offset the upward pressure on headline inflation. Inflation expectations of consumers and businesses worsened in the latest surveys, which also reflects emergence of underlying inflationary pressures going forward.

7. Discussing the outlook for inflation, the staff apprised that inflation is expected to increase further in the coming months and may reach double-digit levels before gradually easing. While favorable domestic supply conditions of food items may provide some buffer, the overall inflation is projected to remain elevated for quite some time. Inflation is expected to stay above the upper bound of the target range of 5–7 percent for most of FY27. However, this outlook remains subject to significant uncertainty, particularly regarding the global energy prices and extent of pass-through to domestic economy, potential fiscal adjustments and volatile food prices.

8. The staff then presented the real sector developments using both satellite-based and traditional economic indicators. The staff apprised that the real GDP grew by 3.8 percent y/y during H1-FY26 compared to 1.9 percent in the same period last year. This improvement remained broad-based. Meanwhile, high-frequency indicators (HFIs) – including automobile sales, domestic cement dispatches, fertilizer offtake, electricity generation and imports of machinery and intermediate goods – continued to signal an improvement in the economic activity during January-March FY26. Reflecting this, large-scale manufacturing recorded a growth of 5.9 percent y/y during July–February FY26 compared to a contraction of 1.8 percent in the same period last year. Notwithstanding these improvements, the staff also apprised that more recent data for March and early April suggest some moderation in activity. This is reflected in both

traditional HFIs and satellite-based proxies, including relatively softer trends in nighttime lights and gas emissions. Meanwhile, the outlook for agriculture has moderated somewhat, primarily due to lower-than-expected wheat production based on initial estimates reported by the Federal Committee on Agriculture.

9. Based on the updated information and assumptions, the staff assessed that the real GDP growth for FY26 is likely to remain closer to the lower bound of the previously projected range of 3.75-4.75 percent. In particular, spillovers from the surge in global energy prices and supply disruptions arising from the Middle East conflict are expected to weigh on industrial and services sectors, leading to moderation in growth during Q4-FY26. Looking ahead, this moderation in economic activity is likely to persist into FY27. However, the outlook remains subject to significant uncertainty, particularly regarding the duration and intensity of the conflict and its implications for global commodity prices and supply chains.

10. Discussing the fiscal sector, the staff highlighted that fiscal consolidation remained broadly on track. However, FBR tax collection fell short of target resulting in a cumulative shortfall of PKR 611 billion during July–March FY26. It was also highlighted that the fiscal deficit remained contained as per the financing-side data over the same period. The staff further apprised that higher international oil prices have made fiscal management more challenging, as the pass-through of energy prices necessitated targeted support measures for vulnerable segments. Moreover, sizeable decline in effective Petroleum Development Levy (PDL) rates is expected to further lower non-tax revenues. The staff emphasized that achieving the targeted primary surplus for FY26 may require additional expenditure rationalization. For FY27, sustaining fiscal consolidation will remain critical, particularly through broadening the tax base, improving revenue mobilization, and undertaking structural reforms to enhance fiscal sustainability.

11. On monetary aggregates, the staff informed the Committee that Broad Money (M2) growth decelerated to 14.5 percent as of April 10, 2026 compared to 16.0 percent on February 20, 2026. This moderation was primarily driven by a slowdown in net budgetary borrowing. Moreover, Currency to Deposit (C-D) ratio increased to 39.3 percent due to deceleration in deposits. While discussing the growth in Reserve Money, the staff apprised that primary contribution came from Net Foreign Assets (NFA). It was apprised that the growth contribution of NFA stood at 12.1 percent as on April 10, 2026.

12. The staff also stated that Private Sector Credit (PSC) continued to expand at around 13 percent in line with improving economic activity and the lagged impact of earlier policy rate cuts. Cumulatively, PSC credit offtake stood at PKR 770.5 billion as on April 10, 2026 as compared to PKR 634.6 billion in the same period last year. Credit flows were concentrated in sugar, wholesale and retail trade, chemicals and agriculture sectors, while consumer financing continued to increase, indicating strengthening domestic demand.

Model-Based Assessment

13. The staff presented the model-based inflation projections under baseline scenario, assuming an unchanged policy rate path, and compared these projections with the projections from the previous MPC meeting. The staff apprised that the 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 the inflation projections under alternate scenarios by assuming different paths of global oil prices contingent on duration and intensity of the ongoing conflict in the Middle East. The staff mentioned that inflation projections are likely to increase in the near term and would remain elevated going forward across all scenarios. The staff also presented inflation projections conditional on alternate policy rate paths.

Financial Markets and Reserve Management

14. Regarding monetary policy implementation, the staff reported that the overnight repo rate averaged 10.55 percent during the review period, marginally above the policy rate of 10.5 percent. The SBP's average liquidity support, predominantly extended to conventional banks, increased from PKR 14.18 trillion in the last MPC review period to PKR 15.24 trillion during the current review period, reflecting elevated liquidity requirement in the banking system.

15. Discussing the benchmark yield curve, it was apprised that the secondary market yield curve shifted upward by 16-71 bps since the last MPC and 70-153 bps since the onset of the conflict. 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) during the review period.

16. The staff conveyed that the Government has continued to accept higher amounts in long-term fixed rate PIBs, while decreasing its acceptance of floating rate PIBs. Moreover, during the review period, the government conducted two buyback auctions of floating rate PIBs. It was also apprised that around 50 percent of the government securities have debt maturities of more than three years, indicating an improvement in the debt maturity profile. However, the overall stock of government securities continued to increase due to higher budgetary needs.

17. The staff informed the Committee that the sovereign yields have improved modestly during the review period, reflecting an improvement in the country's external position.

18. In the foreign exchange market, the PKR appreciated by 0.2 percent against the US dollar since the last MPC meeting, while the USD weakened by 0.7 percent against a basket of major currencies over the same period.

Results of SBP Surveys for Monetary Policy

19. The staff presented the Economic Agents Network (EAN) insights pertaining to the general economic outlook. It was apprised that recent rains and hailstorms are adversely affecting wheat yields, while prospects for other major Rabi crops, sugarcane and canola, have shown improvement since the last MPC meeting. Rising diesel prices were highlighted as a key concern faced by farmers especially during the wheat harvest. The outlook for Kharif crops was mixed as farmers' interest in cotton remained weak while preference for rice still remained intact, and fertilizer availability remained adequate. The staff further noted that export sectors are facing pressures from weaker external demand – especially from the EU logistical disruptions and higher freight costs. For domestic markets, profit margins are under pressure across various manufacturing and services sectors due to higher energy and input costs alongside some moderation in domestic demand.

20. The staff apprised the Committee on the results of various SBP surveys conducted in March and April 2026. Inflation expectations of both consumers and businesses increased in the wake of the ongoing Middle East conflict and hike in domestic fuel prices. However, the sentiments eased somewhat in the April survey iteration taking stock of the ceasefire and downward adjustment in fuel prices by the Government; overall, the survey results for March and April 2026 reflect increased expectations for inflation and lower confidence among both consumers and businesses as compared to the results of February 2026. Despite such trends in expectations and confidence, Purchasing Managers' Index recovered in April 2026 after declining in March 2026, while capacity utilization remained close to its long-run average level.

Monetary Policy Deliberations and Decision Vote

21. The MPC decided to increase the policy rate by 100 bps with majority decision of seven out of nine present and voting members, with one vote for a 50 bps increase and one vote for a 150 bps increase.

DECISIONS:

- *The policy rate is increased by 100 bps.*
- *The Monetary Policy Statement – April 2026 is approved.*