



MONETARY POLICY COMMITTEE STATE BANK OF PAKISTAN

Monetary Policy Statement

March 24, 2020

1. At its last meeting on 17th March 2020, the Monetary Policy Committee (MPC) noted considerable uncertainty about how the Coronavirus outbreak would impact the global economy and Pakistan. In the statement issued following that meeting, the MPC “emphasized that it stood ready to take further actions if and when needed as more information becomes available on the outlook for inflation and growth.”
2. Substantial new information on global and domestic developments has become available since the last MPC meeting. Globally, the Coronavirus has severely increased in reach. This has caused major disruptions to economic activity and the IMF has also significantly downgraded its global growth outlook for 2020 from 3.3 percent growth previously to below zero. These global developments have also led to a sharp fall in international trade. On the domestic front, since the last MPC, the number of COVID-19 cases has increased considerably, prompting social distancing and curtailment of activity. This is expected to lead to noticeable slowdown in domestic demand.
3. The developments discussed above imply that the outlook for growth and inflation in Pakistan is likely to be revised down further. In the wake of this new information, the MPC agreed at its emergency meeting today, to take further action. Accordingly, the MPC has decided to cut the policy rate by a further 150 basis points to 11 percent. This brings the cumulative easing over the past one week to 225 basis points. The MPC was of the view that this cumulative easing would cushion the growth slowdown while protecting inflation expectations.
4. The MPC also noted that SBP is in the process of taking necessary regulatory measures in coordination with banks to address pressures on cash flows of borrowers affected by Coronavirus related disruptions through facilitating deferment and restructuring of their loans. The announcement of these measures is expected soon and will complement the action being taken by the MPC on interest rates today.
5. The MPC remains ready to take whatever further actions become necessary in response to the evolving economic impact of the Coronavirus.