



External Communications Department

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Governor SBP briefs foreign investors about Pakistan's significantly improved macroeconomic outlook

Governor SBP, Mr. Jameel Ahmad, met key international investors during multiple events organized by leading global banks and financial firms, including JP Morgan, Citibank and Jefferies, on the sidelines of the IMF-World Bank Spring Meetings in Washington DC. Governor SBP informed the participants about the substantial improvement in Pakistan's macroeconomic outlook achieved over the past year as a result of a prudent monetary policy, backed adequately by fiscal consolidation and beginning of the implementation of key structural reforms.

The Governor shared that over the past year, inflation has declined sharply in Pakistan, reaching a two-year low of 20.7 percent in March 2024 from a peak of 38 percent in May 2023. He explained that the deceleration in inflation is broad-based, reflecting the combined impact of monetary tightening, fiscal consolidation, ease in import supplies, improved agriculture output and base effect. More importantly, core inflation declined markedly, reaching 15.7 percent in March, after persistently staying above 20 percent throughout last year.

Mr. Ahmad informed the participants that the external sector has also stabilized, as reflected in the sharp reduction in the current account deficit (CAD) to \$1 billion during Jul-Feb FY24 from \$3.8 billion in the same period last year. In addition to stabilization policies, improved agriculture output has contributed to higher food exports, while lowering the import demand of agri commodities like wheat and cotton. Workers' remittances have risen consistently since October 2023 on y/y basis, driven by incentives and regulatory measures to divert inflows towards formal channels. These qualitative improvements in the external account have allowed the SBP to more than double its FX reserves from January 2023 (\$3.1 billion) to around \$8 billion on 12 April 2024 despite the repayment of a \$1 billion Eurobond on the same day. At the same time, the SBP's forward liabilities have also reduced significantly from US\$5.7 billion in January 2023 to US\$ 3.4 billion in February 2024.

Governor SBP stressed upon the improvement in the country's external debt dynamics, with a reduction in the gross financing requirements due to sizable CAD contraction. Moreover, the maturity profile of external debt has also improved, with share of relatively costly short-term commercial loans declining while the share of long term concessional financing from multilateral agencies, coupled with support from bilateral partners, is rising. Mr. Ahmad also noted a recent pickup in inflows from overseas Pakistanis via Roshan Digital Accounts and also by other foreign investors, on the back of strong performance in achieving the targets and benchmarks under the IMF SBA program. Going forward, the government is hopeful of signing a long term IMF program, which will facilitate additional external financing and the adoption of structural reforms to deal with longstanding issues in the economy.

The Governor also highlighted SBP's efforts to provide a conducive macroeconomic environment for the private sector to invest in the economy. The SBP's Strategic Plan 2028 aims to facilitate growth by achieving price and financial stability. In this regard, Mr. Ahmad highlighted the widespread adoption of digital technologies to address gaps in access to financial services and to revolutionize the domestic payments system. These time-bound reforms are expected to put the economy on the path of sustainable economic growth.
