

# Flash Note

Friday, 26 January 2018

## Economy

### Monetary Policy: Policy rate increased by 25bps to 6.0%

- After maintaining a decade low target rate of 5.75% for more than a year and a half, the regulator decided to raise the rate by 25bps to 6.0%, contrary to market consensus of status quo.
- As per SBP monetary policy statement, the committee has highlighted following;

*“Four key factors of Pakistan’s economy have witnessed important changes since November 2017 impinging upon the policy rate decision. Firstly, PKR has depreciated by around 5 percent. Secondly, oil prices are hovering near USD 70 per barrel. Thirdly, a number of central banks have started to adjust their policy rates upwards adversely affecting PKR interest-rate differentials vis-à-vis their currencies. Fourthly, multiple indicators show that the output gap has significantly narrowed indicating a buildup of demand pressures.”* - SBP monetary Policy Statement, Jan 2018

- With respect to change in policy (target) rate, discount rate will be revised upward to 6.5%, while floor rate will be raised to 4.5%.

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