

# Day Break

Tuesday, December 16, 2025

**IGI**  
Securities

SERVING YOU SINCE 1994

## Monetary Policy History

Date	Stance	Policy Rate
15-Dec-25	-50bps	10.5%
27-Oct-25	Status Quo	11.0%
15-Sep-25	Status Quo	11.0%
30-Jul-25	Status Quo	11.0%
16-Jun-25	Status Quo	11.0%
5-May-25	-100bps	11.0%
10-Mar-25	Status Quo	12.0%
27-Jan-25	-100 bps	12.0%
16-Dec-24	-200 bps	13.0%
04-Nov-24	-250 bps	15.0%
12-Sep-24	-200 bps	17.5%
29-Jul-24	-100 bps	19.5%
10-Jun-24	-150 bps	20.5%
29-Apr-24	Status Quo	22.0%
18-Mar-24	Status Quo	22.0%
29-Jan-24	Status Quo	22.0%
12-Dec-23	Status Quo	22.0%
30-Oct-23	Status Quo	22.0%
14-Sep-23	Status Quo	22.0%
31-Jul-23	Status Quo	22.0%
26-Jun-23	Status Quo	22.0%
12-Jun-23	+100 bps	22.0%

Source: SBP, IGI Research

## Economy

### SBP Cuts Policy Rate by 50bps to Stand at 10.5%

- In the latest Monetary Policy Announcement ([link](#)), the State Bank of Pakistan (SBP) decided to slash rate by 50bps to 10.5%. Since Jun-24 SBP has cumulatively cut interest rates by 1150bps. MPC noted that inflation remained within target range of 5-7% during Jul-Nov 2025, however core inflation remains sticky. The Committee noted that inflation outlook remains unchanged largely due to lower commodity prices and prudent monetary stance. Economic activity has picked up with higher than expected increase in LSM during 1QFY26. However, global environment remains challenging especially for exports. Thus, ensuring price stability MPC assessed that there was further room to cut rates to support economic growth.
- The Committee noted few key developments since last MPC meeting. SBP's Forex Reserves increased above US\$ 15.8bn post receipt of US\$ 1.2bn from IMF. Overall and primary balance recorded surplus mainly led by SBP profit transfer. Although commodity prices remain supportive, however overall global environment remains fluid with evolving tariff dynamics and challenging financial conditions.
- Inflation is likely to increase above SBP's target range during 2H FY26 and normalize within the range in FY27. However, core inflation remains elevated. We expect inflation for FY26 between 6-7%. In our view, SBP is likely to monitor impact of external risks, impact of Afghan Border closure and potential energy price adjustments going forward. Geopolitical tensions, PKR depreciation and energy price adjustments remain key risks to inflation outlook.

### SBP Cuts Rates by 50bps to stand at 10.5%

In the latest Monetary Policy Announcement ([link](#)), the State Bank of Pakistan (SBP) decided to slash rate by 50bps to 10.5%. Since Jun-24 SBP has cumulatively cut interest rates by 1150bps. MPC noted that inflation remained within target range of 5-7% during Jul-Nov 2025, however core inflation remains sticky. The Committee noted that inflation outlook remains unchanged largely due to lower commodity prices and prudent monetary stance. Economic activity has picked up with higher than expected increase in LSM during 1QFY26. However, global environment remains challenging especially for exports. Thus, ensuring price stability MPC assessed that there was further room to cut rates to support economic growth.

Exhibit: Monetary Policy Rate Decision			
	Current	Previous	Chg. (bps)
Target Policy Rate	10.50%	11.00%	50bps
Discount rate (Ceiling Rate)	11.50%	12.00%	50bps
Floor Rate	9.50%	10.00%	50bps

Source: SBP, IGI Research

## Analyst

Abdullah Farhan  
[Abdullah.farhan@igi.com.pk](mailto:Abdullah.farhan@igi.com.pk)

The Committee noted few key developments since last MPC meeting. The Labor Force Survey 2024-25 pointed to increase in unemployment rate compared to 2020-21 however, there was improvement recorded from last survey. Secondly, SBP's Forex Reserves increased above US\$ 15.8bn post receipt of US\$ 1.2bn from IMF. Latest SBP-IBA survey showed improvement in consumer confidence while business confidence moderated slightly. Overall and primary balance recorded surplus mainly led by SBP profit transfer. Although commodity prices remain supportive, however overall global environment remains fluid with evolving tariff dynamics and challenging financial conditions.

Considering the recent developments and risks, MPC noted that real policy rates are adequately positive to stabilize inflation in the target range of 5-7% in medium term and contribute towards economic growth. The Committee noted continued monetary and fiscal policies along with structural reforms is likely to ensure a durable and higher growth trajectory.

Exhibit: National CPI Heat Map												
	Nov-25	Oct-25	Sep-25	Aug-25	Jul-25	Jun-25	May-25	Apr-25	Mar-25	Feb-25	Jan-25	Dec-24
<b>General</b>	6.1	6.2	5.6	3.0	4.1	3.2	3.5	0.3	0.7	1.5	2.4	4.1
Food	5.5	5.6	5.0	-1.8	0.9	2.6	3.1	-4.8	-5.1	-4.1	-3.1	0.3
Transport	6.1	6.7	4.2	2.5	2.7	0.6	-2.5	-3.9	-1.2	-1.1	0.7	-2.5
Utility/Rent	5.3	4.2	3.7	3.6	3.6	-3.3	-2.5	-2.6	-2.2	-0.6	1.5	3.4
Essentials	6.9	8.3	8.4	8.5	8.5	9.1	9.6	9.6	12.2	12.2	12.2	13.2
Disc.	7.6	8.0	7.2	7.3	7.6	8.2	8.3	8.1	8.1	8.3	8.1	8.2

Source: PBS, IGI Research

### Key takeaways from analyst briefing

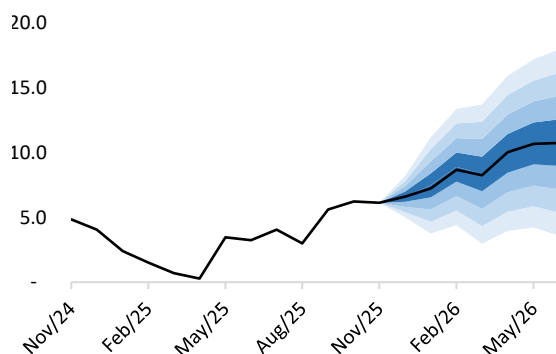
SBP in its post MPS briefing highlighted key updates, which included:

- C/a deficit stood at US\$ 0.7bn during 4MFY26, in line with MPC's expectation. Imports increased in line with improving economic activity while remittances continued to remain strong. However, exports remain subdued owing to decline in food exports mainly due to lower rice exports. Although net inflows remain depressed, SBP's FX reserves crossed Dec-25 target of US\$ 15.5bn led by continued purchases from market. Lower oil prices are likely to restrict import growth going forward, however exports are likely to remain under pressure. SBP expects C/a deficit to remain within 0-1% of GDP in FY26 while realization of planned official inflows are likely to push SBP's reserves to US\$ 17.8bn.
- High-frequency indicators depict a strong economic momentum across key sectors. In agriculture, latest information on wheat crop

area, input conditions and incentive schemes backed by Government point towards wheat output surpassing its target. Moreover, LSM increased by 4.1% during 1QFY26. Growth in automobiles, cement, fertilizer sales along with import of machinery and intermediate goods have improved industrial activity outlook. These positive developments in commodity producing sectors are likely to support growth in services sector as well. GDP is now expected to be in the upper half of the projected range of 3.25-4.25%.

- M2 Broad Money accelerated to 14.9%y/y as of 28-Nov-25 since last MPC meeting driven by increase in net budgetary borrowings from banking system. Private sector credit increased by PKR 187bn during 5MFY26 with Textile, chemicals and wholesale & retail sectors as key borrowing sectors. Consumer financing especially automobile loans have improved owing to easing financial conditions, improved consumer sentiment and stable macroeconomic environment. Currency in circulation remained unchanged while increase in deposits led to overall decline in currency to deposit ratio.
- Debt repayments for FY26 stand at US\$ 25.8bn including US\$ 4.0bn in interest and US\$ 21.8bn in principal. Out of these US\$ 5.3bn have been rolled over and US\$ 4.4bn repaid. Out of the remaining US\$ 16.1bn, US\$ 9.3bn is expected to be rolled over during 2HFY26 while US\$ 6.8bn will be repaid. SBP's forward short positions stand at US\$ 2bn.
- Official inflows during 1HFY26 stood at US\$ 2.1bn including US\$ 1.2bn received from IMF while remaining US\$ 0.9bn received from other sources. SBP expects FX reserves to increase substantially in 2HFY26 leading to SBP achieving its FX target for Jun-26. SBP is confident that Pakistan will achieve 3 months import cover by Jun-26.
- SBP's FX interventions were higher during Oct-Nov, 2025 compared to Jul-Aug, 2025.

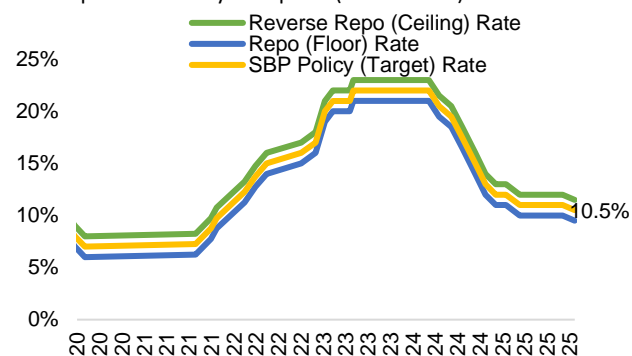
**Exhibit: CPI likely to pick up gradually going forward**



Source: SBP, PBS, IGI Research

**Exhibit: Pakistan Policy Rate (historical)**

SBP keeps rates steady in Sep-25. (Source: SBP)



## Outlook

Inflation is likely to increase above SBP's target range during 2HFY26 and normalize within the range in FY27. However, core inflation remains elevated. We expect inflation for FY26 between 6-7%. In our view, SBP is likely to monitor impact of external risks, impact of Afghan Border closure and potential energy price adjustments going forward. Geopolitical tensions, PKR depreciation and energy price adjustments remain key risks to inflation outlook.

# Important Disclaimer and Disclosures

**Research Analyst(s) Certification:** The Research Analyst(s) hereby certify that the views about the company/companies and the security/ securities discussed in this report accurately reflect his or her or their personal views and that he/she has not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report. The analyst(s) is principally responsible for the preparation of this research report and that he/she or his/her close family/relative does not own 1% or more of a class of common equity securities of the following company/companies covered in this report.

**Disclaimer:** The information and opinions contained herein are prepared by IGI Finex Securities Limited and is for information purposes only. Whilst every effort has been made to ensure that all the information (including any recommendations or opinions expressed) contained in this document (the information) is not misleading or unreliable, IGI Finex Securities Limited makes no representation as to the accuracy or completeness of the information. Neither, IGI Finex Securities Limited nor any director, officer or employee of IGI Finex Securities Limited shall in any manner be liable or responsible for any loss that may be occasioned as consequence of a party relying on the information. This document takes no account of the investment objectives, financial situation and particular needs of investors, who shall seek further professional advice before making any investment decision. The subject Company (ies) is a client of the IGI Finex Securities Limited and IGI Finex Securities offers brokerage services to Subject Company (ies) on a regular basis, in line with industry practice. This document and the information may not be reproduced, distributed or published by any recipient for any purpose. This report is not directed or intended for distribution to, or use by any person or entity not a client of IGI Finex Securities Limited, else directed for distribution. All Research Analysts are receiving fixed pay and reporting directly to Head of Research who reports to CEO.

**Rating system:** IGI Finex Securities employs three tier ratings system, depending upon expected total return (return is defined as capital gain exclusive of tax) of the security in stated time period, as follows:

## Recommendation Rating System

Buy if target price on aforementioned security (ies) is more than 10%, from its last closing price(s)

Hold if target price on aforementioned security (ies) is in between -10% and 10%, from its last closing price(s)

Sell if target price on aforementioned security (ies) is less than -10%, from its last closing price(s)

**Valuation Methodology:** To arrive at Target Prices, IGI Finex Securities uses different valuation methodologies including

- Discounted Cash Flow (DCF)
- Reserve Based DCF
- Dividend Discount Model (DDM)
- Justified Price to Book
- Residual Income (RI)
- Relative Valuation (Price to Earning, Price to Sales, Price to Book)

**Risk:** Investment in securities are subject to economic risk, market risk, interest rate risks, currency risks, and credit risks, political and geopolitical risks. The performance of company (ies) covered herein might unfavorably be affected by multiple factors including, business, economic, and political conditions. Hence, there is no assurance or guarantee that estimates, recommendation, opinion, etc. given about the security (ies)/company (ies) in the report will be achieved.

**Basic Definitions and Terminologies used:** **Target Price:** A price target is the projected price level of a financial security stated by an investment analyst or advisor. It represents a security's price that, if achieved, results in a trader recognizing the best possible outcome for his investment, **Last Closing:** Latest closing price, **Market Cap.:** Market capitalization is calculated by multiplying a company's shares outstanding by current trading price. **EPS:** Earnings per Share. **DPS:** Dividend per Share. **ROE:** Return on equity is the amount of net income returned as a percentage of shareholders' equity. **P/E:** Price to Earnings ratio of a company's share price to its per-share earnings. **P/B:** Price to Book ratio used to compare a stock's market value to its book value. **DY:** The dividend yield is dividend per share, divided by the price per share.

IGI Finex Securities Limited

Research Analyst(s)

Research Identity Number: BRP009

© Copyright 2025 IGI Finex Securities Limited

## Contact Details

### Equity Sales

Zaeem Haider Khan	Head of Equities	Tel: (+92-42) 35301405	zaeem.haider@igi.com.pk
Syeda Mahrukh Hameed	Regional Head (North)	Tel: (+92-42) 38303564	mahrukh.hameed@igi.com.pk
Muhammad Naveed	Regional Manager (Islamabad & Upper North)	Tel: (+92-51) 2604861-62	muhammad.naveed@igi.com.pk
Faraz Naqvi	Branch Manager (Karachi)	Tel: (+92-21) 111 234 234 Ext: 826	faraz.naqvi@igi.com.pk
Shakeel Ahmad	Branch Manager (Faisalabad)	Tel: (+92-41) 2540843-45	shakeel.ahmad1@igi.com.pk
Asif Saleem	Equity Sales (RY Khan)	Tel: (+92-68) 5871652-56	asif.saleem@igi.com.pk
Mehtab Ali	Equity Sales (Multan)	Tel: (+92-61) 4512003	mahtab.ali@igi.com.pk

### Research Team

Abdullah Farhan	Head of Research	Tel: (+92-21) 111-234-234 Ext: 912	abdullah.farhan@igi.com.pk
Sakina Makati	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 810	sakina.makati@igi.com.pk
Syed Muzammil Hasan Rizvi	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 569	muzammil.rizvi@igi.com.pk
Sufyan Siddiqui	Database Officer	Tel: (+92-21) 111-234-234 Ext: 888	sufyan.siddiqui@igi.com.pk

### IGI Finex Securities Limited

Trading Rights Entitlement Certificate (TREC) Holder of Pakistan Stock Exchange Limited |

Corporate member of Pakistan Mercantile Exchange Limited

Website: [www.igisecurities.com.pk](http://www.igisecurities.com.pk)

### Head Office

Suite No 701-713, 7th Floor, The Forum, G-20,  
Khayaban-e-Jami Block-09, Clifton, Karachi-75600  
UAN: (+92-21) 111-444-001 | (+92-21) 111-234-234  
Fax: (+92-21) 35309169, 35301780

### Lahore Office

Shop # G-009, Ground Floor,  
Packages Mall  
Tel: (+92-42) 38303560-69  
Fax: (+92-42) 38303559

### Islamabad Office

3<sup>rd</sup> Floor, Kamran Centre,  
Block- B, Jinnah Avenue, Blue Area  
Tel: (+92-51) 2604861-2, 2604864, 2273439  
Fax: (+92-51) 2273861

### Faisalabad Office

Office No. 2, 5 & 8, Ground Floor, The  
Regency International 949, The Mall  
Faisalabad  
Tel: (+92-41) 2540843-45

### Rahim Yar Khan Office

Plot # 12, Basement of Khalid Market,  
Model Town, Town Hall Road  
Tel: (+92-68) 5871652-3  
Fax: (+92-68) 5871651

### Multan Office

Mezzanine Floor, Abdali Tower,  
Abdali Road  
Tel: (92-61) 4512003, 4571183

IGI Finex Securities Limited

Research Analyst(s)

Research Identity Number: BRP009

© Copyright 2025 IGI Finex Securities Limited