

Day Break

Tuesday, June 16, 2026

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Securities

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Monetary Policy History		
Date	Stance	Policy Rate
15-Jun-26	Status Quo	11.5%
27-Apr-26	+100bps	11.5%
09-Mar-26	Status Quo	10.5%
26-Jan-26	Status Quo	10.5%
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 Keeps Policy Rate Unchanged at 11.5%

- In the latest Monetary Policy Announcement ([link](#)), the State Bank of Pakistan (SBP) decided to keep Policy Rate unchanged at 11.5%. To note, MPC increased Interest Rates by 100bps in last MPC meeting. MPC noted that owing to recent positive geopolitical developments, oil prices have eased but remain elevated above pre-conflict levels.
- As anticipated in the last MPC meeting, the conflict's impact is now visible in recent data: headline inflation hit double digits in Apr-26 and May-26, core inflation rose slightly, and economic activity has moderated amid high prices, austerity, and uncertainty. External account pressures remain moderate. Weighing these developments, the MPC assessed that the macroeconomic outlook remains largely unchanged and the current policy stance is appropriate to bring inflation in the range of 5–7% in the medium-term.
- Although inflation is expected to remain above SBP's target range, external outlook remains stable with strong remittances. Positive development on geopolitical front has led to ease in oil prices. Thus, inflation is expected to come down in the next few months considering no further escalation in conflict. Based on this, SBP may likely keep rates steady over the next few months.

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Exhibit: Monetary Policy Rate Decision			
	Current	Previous	Chg. (bps)
Target Policy Rate	11.50%	11.50%	Unchanged
Discount rate (Ceiling Rate)	12.50%	12.50%	Unchanged
Floor Rate	10.50%	10.50%	Unchanged

Source: SBP, IGI Research

Analyst

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The Committee noted few key developments since last MPC meeting. Firstly, the PBS has provisionally estimated real GDP growth for FY26 at 3.7%. Secondly, the latest sentiment surveys point to a marginal recovery in consumer and business confidence, alongside a modest easing in inflation expectations. Thirdly, the successful completion of IMF reviews under the EFF and RSF, together with continued reserve purchases, lifted SBP's FX reserves to \$17.2 billion as of 05-Jun-26. Fourthly, the government has projected a primary balance surplus of 2.5% of GDP for FY26 and set a target of 2.0% of GDP for FY27. Lastly, the Middle East conflict has begun affecting macroeconomic conditions across several economies, prompting a higher number of central banks to raise policy rates.

The MPC observed that proactive macroeconomic management — anchored by forward-looking monetary policy and sustained fiscal consolidation — has helped preserve macroeconomic stability despite the protracted Middle East conflict. The Committee remains committed to its price stability objective and will continue to closely monitor incoming data and emerging developments. It further reiterated the urgency of accelerating structural reforms to bolster the economy's resilience to supply shocks, improve productivity, and lay the groundwork for stronger, more sustainable economic growth.

Exhibit: National CPI Heat Map												
	May-26	Apr-26	Mar-26	Feb-26	Jan-26	Dec-25	Nov-25	Oct-25	Sep-25	Aug-25	Jul-25	Jun-25
General	11.7	10.9	7.3	7.0	5.8	5.6	6.1	6.2	5.6	3.0	4.1	3.2
Food	7.9	7.6	3.5	5.8	3.9	3.2	5.5	5.6	5.0	-1.8	0.9	2.6
Transport	36.8	29.9	12.5	0.4	2.6	4.9	6.1	6.7	4.2	2.5	2.7	0.6
Utility/Rent	16.8	16.8	11.5	9.7	7.3	6.9	5.3	4.2	3.7	3.6	3.6	-3.3
Essentials	7.9	6.4	6.4	6.6	6.6	6.8	6.9	8.3	8.4	8.5	8.5	9.1
Disc.	7.6	7.6	8.5	8.7	8.1	7.9	7.6	8.0	7.2	7.3	7.6	8.2

Source: PBS, IGI Research

Key takeaways from analyst briefing

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

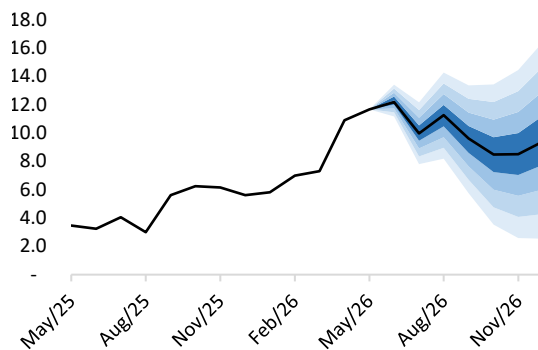
- C/a turned in to deficit with US\$ 0.3bn recorded during Apr-26 bringing 9MFY26 cumulative deficit to US\$ 0.2bn mainly due to widening trade deficit amid surge in energy imports which was more than offset by strong workers remittances. The robust inflow of workers' remittances in May is expected to keep the FY26 current account deficit near the lower end of the previously projected range, notwithstanding the challenging external environment. On the financing side, higher official inflows

provided critical support in meeting external obligations. These developments have supported continued FX purchases and the buildup of SBP's FX reserves, which are projected to reach \$18bn by end of Jun-26. While the current account deficit is expected to widen somewhat in FY27, the MPC noted that reserve accumulation should continue, supported by ongoing FX purchases and the timely realization of planned official inflows.

- Real GDP was provisionally recorded at 3.7% in FY26 with total compared to 3.2% in FY25. The MPC attributed this outcome to the combined effects of the Middle East conflict and austerity measures, noting that growth momentum had been considerably stronger before the conflict began. Services and industry remained the principal drivers of FY26 growth, with agriculture also contributing meaningfully. Large-scale manufacturing expanded by a strong 6.5% over July–March FY26, though some high-frequency indicators point to a slowdown in 4QFY26. Going forward, the MPC anticipates that conflict-related spillovers could continue weighing on both industrial and services activity in the months ahead. Coupled with a subdued outlook for agriculture — suggested by early Kharif crop data amid difficult weather conditions — this may temper the growth trajectory for FY27.
- Since the last MPC meeting, broad money (M2) growth eased to 14.3%/y/y as of 29-May-26, from 14.5% on 10-Apr-26. This deceleration was driven entirely by slower growth in NDA, reflecting reduced net budgetary borrowing from the banking system. Meanwhile, private sector credit expanded by around 13%, supported by increases in working capital, fixed investment, and consumer financing. At the same time, the improving external position contributed to an acceleration in NFA growth. On the liability side, growth in currency in circulation rose, partly due to seasonal Eid-related cash withdrawals, leading to a higher currency-to-deposit ratio.
- Pakistan has largely repaid all the external debt due for FY26 through repayments or rollovers. Only US\$ 700mn is left to be repaid in the last 2 weeks of Jun-26. Strong workers' remittances and external sector outlook is likely to help SBP achieve US\$ 18bn target by Jun-26 end. Remittances are likely to cross US\$ 41bn mark in FY27.
- SBP's exposure to inter-bank market amounts to US\$ 1.2bn as of now.

- Banks are currently offering Export Refinancing Rate (ERF) of 4.5% which should have increased to 5.5% (as it was benchmarked against Policy Rate) after last Policy Rate hike. This has not been instructed by SBP and is solely being offered by Banks to support export oriented sector.

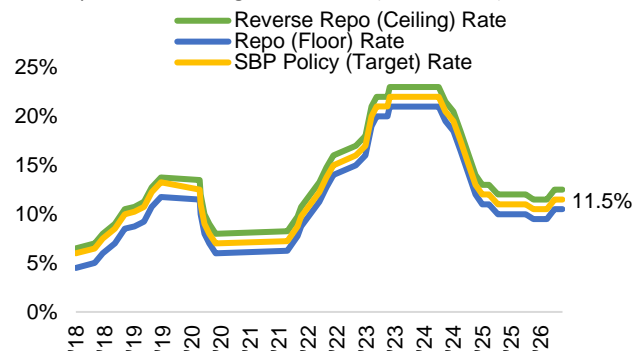
Exhibit: CPI likely to taper off in the coming months



Source: SBP, PBS, IGI Research

Exhibit: Pakistan Policy Rate (historical)

SBP keeps rates unchanged in Jun-26. (Source: SBP)



Outlook

Although inflation is expected to remain above SBP's target range, external outlook remains stable with strong remittances. Positive development on geopolitical front has led to ease in oil prices. Thus, inflation is expected to come down in the next few months considering no further escalation in conflict. Based on this, SBP may likely keep rates steady over the next few months.

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