

# Day Break

Tuesday, September 16, 2025

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Securities

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## Monetary Policy History

Date	Stance	Policy Rate
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%

- In the latest Monetary Policy Announcement ([link](#)), the State Bank of Pakistan (SBP) decided to keep rates steady at 11.0%. Since Jun-24 SBP has cumulatively cut interest rates by 1100bps. MPC noted that inflation remained moderate in Jul/Aug-2025 while core inflation declined at a slower pace. The Committee noted that inflation outlook has worsened due to ongoing floods. Inflation may jump due to temporary yet significant supply shocks amid floods especially crops and expand c/a deficit further during FY26 from earlier expectations while growth is also expected to slow down against earlier projections. Thus, MPC's decision to keep rates steady was necessary to ensure price stability.
- The Committee highlighted that economy is on much stronger footing to withstand negative fallout of the ongoing floods compared to previous events. Excessive inflationary and C/a pressure is likely to remain in check this time around given already low inflation, moderate growth in domestic demand and stable global commodity prices. External and fiscal buffers will need to continue to ensure economy stays resilient to shocks and achieve sustainable growth.
- The recent 2025 floods and its potential impact on inflation has prompted SBP to maintain a cautious stance. Moreover, core inflation remains elevated. In our view, SBP is likely to monitor impact of external risks in light of floods and energy price adjustments going forward. As core inflation remains higher, impact of geopolitical tensions and energy price adjustments remain key risks to inflation outlook.

### SBP Keeps Rates Unchanged at 11%

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#### Exhibit: Monetary Policy Rate Decision

	Current	Previous	Chg. (bps)
<b>Target Policy Rate</b>	<b>11.00%</b>	<b>11.00%</b>	<b>Unchanged</b>
Discount rate (Ceiling Rate)	12.00%	12.00%	Unchanged
Floor Rate	10.00%	10.00%	Unchanged

Source: SBP, IGI Research

## Analyst

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The Committee noted that few key developments since last MPC meeting. SBP's FX reserves remained stable despite debt repayments and C/a deficit. FBR's tax collection fell slightly short during 2MFY26 although is up significantly on y/y basis. Uncertainty over global trade tariffs has reduced post announcement of revised tariffs by US.

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% although some short-term volatility is expected.

Exhibit: National CPI Heat Map												
	Aug-25	Jul-25	Jun-25	May-25	Apr-25	Mar-25	Feb-25	Jan-25	Dec-24	Nov-24	Oct-24	Sep-24
General	3.0	4.1	3.2	3.5	0.3	0.7	1.5	2.4	4.1	4.9	7.2	6.9
Food	-1.8	0.9	2.6	3.1	-4.8	-5.1	-4.1	-3.1	0.3	-0.2	0.9	-0.6
Transport	2.5	2.7	0.6	-2.5	-3.9	-1.2	-1.1	0.7	-2.5	-2.8	-6.1	-7.3
Utility/Rent	3.6	3.6	-3.3	-2.5	-2.6	-2.2	-0.6	1.5	3.4	7.9	19.2	20.9
Essentials	8.5	8.5	9.1	9.6	9.6	12.2	12.2	12.2	13.2	13.2	13.1	14.4
Disc.	7.3	7.6	8.2	8.3	8.1	8.1	8.3	8.1	8.2	8.7	8.8	9.1

Source: PBS, IGI Research

### Key takeaways from analyst briefing

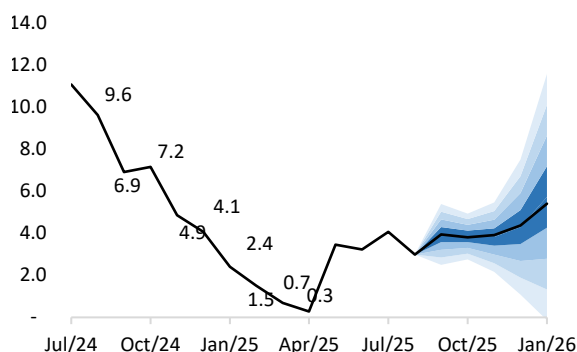
SBP in its post MPS briefing highlighted key updates, which included:

- C/a deficit stood at US\$ 254mn in Jul-25, led by higher imports and moderation in remittances. Despite lack of official inflows SBP's FX reserves remained stable at US\$ 14.3bn as at 05-Sep-25. Going forward external sector remains susceptible to evolving global and domestic conditions. Improved market access to US is likely to offset the impact of crop damage due to floods which may increase imports. Although remittances are likely to moderate, however some improvement is expected post floods as witnessed during previous episodes of natural disasters. C/a deficit is projected at US\$ 0-1% of GDP in FY26. Considering planned official inflows materialize, SBP's FX reserves are expected to increase to US\$ 15.5bn by end of Dec-25.
- High-frequency indicators depict a strong economic momentum from 2HFY25 reflected by growth in automobile, cement, import

of goods and machinery and credit to private sector. LSM posted 3%y/y growth in 4QFY25 after reporting contraction in first 3 quarters of FY25. However, recent floods have moderated overall growth outlook for FY26. Damage to Kharif crops and supply chain disruptions may also dampen manufacturing and service sector activity in near term. Nevertheless, prospects of rabi crop has increased due to higher post floods yields. Taking these factors in to account, real GDP growth is expected to settle on the lower end of the 3.25%-4.25% range during FY26.

- M2 Broad Money decelerated to 13.9%y/y as of 29-Aug-25 since last MPC meeting. The Committee noted that this was led by higher M2 growth while currency in circulation witnessed seasonal decline. Net budgetary borrowing from banks declined sharply post receipt of SBP profits. Textile, telecommunication and wholesale & retail sectors were major borrowers. Demand for private sector growth is likely to maintain is recent momentum despite risk arising from economic slowdown post floods.
- Debt repayments for FY26 stand at US\$ 26.1bn including US\$ 4.1bn in interest and US\$ 22bn in principal. Out of these US\$ 3.5bn have been settled including US\$ 1.5bn repaid and US\$ 2bn rolled over leaving US\$ 22.5bn to be repaid in the remainder of FY26.
- The floods have had little impact on business sentiment so far. SBP is likely to announce a scheme based on market intervention to support Agri and SME borrowers affected by floods.
- Fiscal consolidation is key in supporting monetary policy to ensure macroeconomic stability.
- The Governor stated that there is no shortage of dollars in the market and SBP will continue its interventions when needed subject to market and macroeconomic conditions.

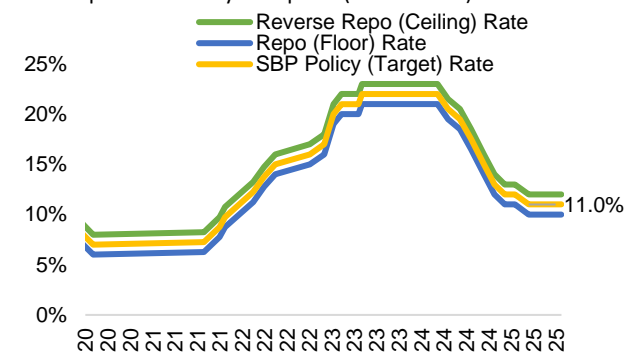
**Exhibit: CPI likely to pick up gradually going forward**



Source: SBP, PBS, IGI Research

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

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



## Outlook

The recent 2025 floods and its potential impact on inflation has prompted SBP to maintain a cautious stance. Moreover, core inflation remains elevated. In our view, SBP is likely to monitor impact of external risks in light of floods and energy price adjustments going forward. As core inflation remains higher, impact of geopolitical tensions and energy price adjustments remain key risks to inflation outlook.

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