Day Break

Tuesday, September 15, 2026

Monetary Policy History		
Date	Stance	Policy Rate
14-Sep-26	Status Quo	11.5%
27-Jul-26	Status Quo	11.5%
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

Analyst

Abdullah Farhan
Abdullah.farhan@igi.com.pk

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%. MPC noted that recent escalation in prolonged Middle East conflict has further increase already elevated commodity prices while supply chain disruptions persist.
- Nevertheless, recent macroeconomic data came in line with MPC's expectation. While inflation increased to 11.1%y/y in Aug-26, up from 9.2%y/y in Jul-26, core inflation clocked in slightly lower than expectation. Higher remittances and financial inflows kept external account pressure contained. Economic activity has picked up gradually as indicated by high frequency indicators after slowing in 4QFY26. Considering these developments, the MPC assessed that the current policy stance is appropriate to bring inflation in the range of 5–7% in the medium-term, however uncertainty regarding outlook has increased.
- Recent escalation in Middle East tensions have increased risk to inflation outlook however, SBP highlighted that current monetary policy is adequate to bring inflation down within the target range of 5-7%. Nevertheless, this outlook is subject to risks such as oil price increase, energy price adjustment, unfavorable climate conditions and fiscal slippages. Continued Fiscal consolidation, structural reforms and strong external buffers remain key in absorbing future shocks.

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 last increased Interest Rates by 100bps in Apr-26 meeting. MPC noted that recent escalation in prolonged Middle East conflict has further increase already elevated commodity prices while supply chain disruptions persist. Nevertheless, recent macroeconomic data came in line with MPC's expectation. While inflation increased to 11.1%y/y in Aug-26, up from 9.2%y/y in Jul-26, core inflation clocked in slightly lower than expectation. Higher remittances and financial inflows kept external account pressure contained. Economic activity has picked up gradually as indicated by high frequency indicators after slowing in 4QFY26. Considering these developments, the MPC assessed that the current policy stance is appropriate to bring inflation in the range of 5–7% in the medium-term, however uncertainty regarding outlook has increased.

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

The Committee highlighted the following key developments since its previous meeting. Firstly, First, Pakistan's sovereign credit rating was upgraded to B3 by Moody's with a stable outlook, reflecting improving macroeconomic fundamentals. Secondly, Pakistan successfully accessed international capital markets, raising US$ 3bn through a Eurobond issuance; combined with continued FX purchases, this lifted SBP's foreign exchange reserves to over US$ 21bn. Thirdly, inflation expectations among both businesses and consumers edged higher in Sep-26, while confidence indicators weakened. Fourthly, large-scale manufacturing output contracted by 3.5% in Jun-26, though cumulative FY26 growth remained healthy at 5.0%. Fiscal consolidation exceeded the budgetary target in FY26, underscoring the government's continued commitment to fiscal discipline. Additionally, FBR tax collection remained on track during July/Aug-2026, while the SBP transferred a profit of PKR 1.9trn to the Government, surpassing the budgeted amount of PKR 1.4trn and providing additional fiscal space. Finally, global central banks have adopted a more cautious monetary policy stance amid an increasingly challenging international economic environment.

Against the backdrop of evolving external and domestic risks, the MPC reiterated its focus on maintaining price stability, while emphasizing close monitoring of incoming data and developments in the Middle East. The Committee highlighted that the increasing frequency of geopolitical shocks and weather-related disruptions continues to pose downside risks to the macroeconomic outlook. In this context, the MPC stressed the importance of maintaining a prudent monetary-fiscal policy mix and rebuilding buffers to better absorb supply-side shocks. Alongside these measures, timely progress on structural reforms remains critical to strengthening resilience, improving productivity, and creating the foundations for higher and more sustainable economic growth.

Exhibit: National CPI Heat Map

	Aug-26	Jul-26	Jun-26	May-26	Apr-26	Mar-26	Feb-26	Jan-26	Dec-25	Nov-25	Oct-25	Sep-25
General	**11.2**	**9.2**	**11.1**	**11.7**	**10.9**	**7.3**	**7.0**	**5.8**	**5.6**	**6.1**	**6.2**	**5.6**
Food	13.9	10.6	9.4	7.9	7.6	3.5	5.8	3.9	3.2	5.5	5.6	5.0
Transport	20.2	15.1	25.7	36.8	29.9	12.5	0.4	2.6	4.9	6.1	6.7	4.2
Utility/Rent	8.9	7.1	15.5	16.8	16.8	11.5	9.7	7.3	6.9	5.3	4.2	3.7
Essentials	9.0	9.2	8.2	7.9	6.4	6.4	6.6	6.6	6.8	6.9	8.3	8.4
Disc.	7.4	6.9	6.9	7.6	7.6	8.5	8.7	8.1	7.9	7.6	8.0	7.2

Source: PBS, IGI Research

Key takeaways from analyst briefing

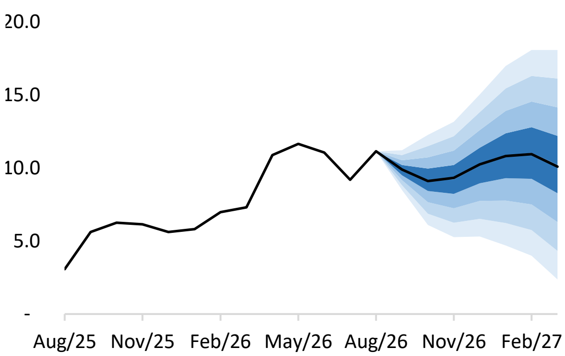
SBP in its post MPS briefing highlighted key updates, which included:

- The C/a deficit for Jul-26 was broadly in line with MPC's expectation as stronger import growth offset gains in exports and resilient remittances. The September Eurobond issuance and sizeable SBP FX purchases lifted reserves to US$ 21.4bn. Looking ahead, robust remittances and higher ICT exports are anticipated to contain the FY27 current account deficit within 0–1% of GDP, while planned external inflows and continued SBP FX purchases should support reserve accumulation toward three months of import cover by Jun-27 end. However, the outlook remains vulnerable to elevated global commodity prices and supply disruptions amid Middle East developments.
- Economic activity, which moderated in 4QFY26 amid conflict-related disruptions, has shown signs of recovery, with high-frequency indicators such as POL sales, private sector credit, textile exports, business sentiment, and satellite-based activity measures pointing to improved momentum in July. Improved crop prospects, supported by higher rice and sugarcane acreage and encouraging early cotton arrivals, further strengthen the agriculture outlook, with a recovery in commodity-producing sectors expected to support services activity. Thus, the MPC expects real GDP growth to remain within its FY27 projection range of 3.5–4.5%.
- Broad money growth moderated to 11.6%y/y as of 28-Aug-26 from 13.2%y/y at the previous MPC meeting, reflecting weaker contributions from both net domestic assets (NDA) and net foreign assets (NFA) of the banking system. In contrast, private sector credit (PSC) expanded 13.4%y/y, supported by lower net government borrowing from banks and improving economic activity. Credit growth remained broad-based across working capital, fixed investment and consumer financing, with wholesale & retail trade, agriculture and sugar emerging as key borrowing sectors. Going forward, PSC growth is expected to gain further momentum in line with the continued recovery in economic activity.
- Pakistan's external debt repayments for FY27 stand at US$ 21.5bn out of which US$ 18bn is principal while US$ 3.5bn in interest. Out of US$ 18bn, US$ 11bn is net repayable while remaining will be rolled over or refinanced. Out of this US$ 11bn, US$ 3.5bn has

already been repaid while remaining US$ 7.5bn is expected to be repaid in the remainder of FY27.

- The SBP Governor expects remittances to cross US$ 44bn in FY27 backed by seasonal impact of Ramadan and Eid al-Adha. The SBP is expected to launch a new remittance incentive scheme early next month which will be designed and funded entirely by banks aiming at incentivizing remittance centers and beneficiaries to promoted flows through formal channels.
- SBP reserves now stand at US$ 21.4bn (post Eurobonds receipt) exceeding the original target of US$ 21bn. SBP will revise its reserve target upwards in next MPC meeting.
- On real effective exchange rate which stands at 107, SBP stated that rupee remains fairly value and is market determined.
- SBP also noted that rating improvement by international rating agencies has lowered CDS spread and led to better secondary market yields.
- SBP also stated that imported wheat will likely be available in market in the next couple of months thereby easing food prices.

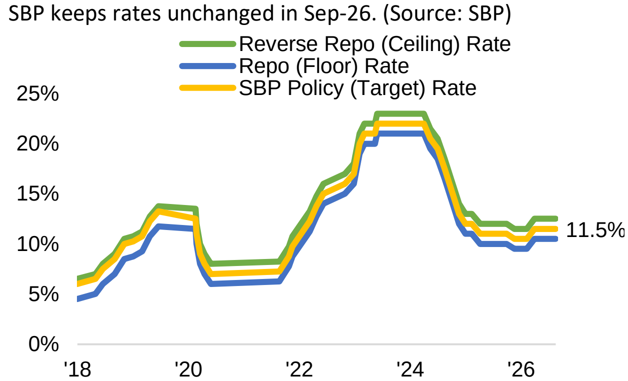
Exhibit: CPI likely to drop slightly in the coming months before rising again



Source: SBP, PBS, IGI Research

Exhibit: Pakistan Policy Rate (historical)

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



Outlook

Recent escalation in Middle East tensions have increased risk to inflation outlook however, SBP highlighted that current monetary policy is adequate to bring inflation down within the target range of 5-7%. Nevertheless, this outlook is subject to risks such as oil price increase, energy price adjustment, unfavorable climate conditions and fiscal slippages. Continued Fiscal consolidation, structural reforms and strong external buffers remain key in absorbing future shocks.

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IGI Finex Securities Limited
Research Analyst(s)
Research Identity Number: BRP009

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
Saher Hussain	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 974	saher.hussain@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

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
Fax: (+92-21) 35309169, 35301780

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

LSE Plaza
Office No.1A at North Mezzanine Floor of the LSE Plaza, 19-Khayaban-e-Aiwan-e-Iqbal, Lahore.
Tel: (+92-42) 38303565

Islamabad Office
3rd 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