Pakistan Economy

Jul 21, 2026

REP-057

Monetary Policy Survey

Majority expects no change; we also expect same

CFA Society Pakistan
Best Brokerage House
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EUROMONEY
Best Brokerage House
2025

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2018, 2019 & 2020

ASIAMONEY
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Brokers Poll 2016 to 2023

2019 INTERNATIONAL FINANCE BROKERAGE AWARDS
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ASSET ASIAN AWARDS 2019 TRIPLE A
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2021

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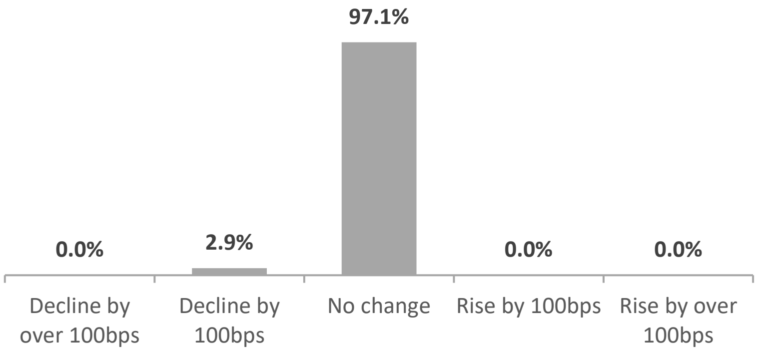
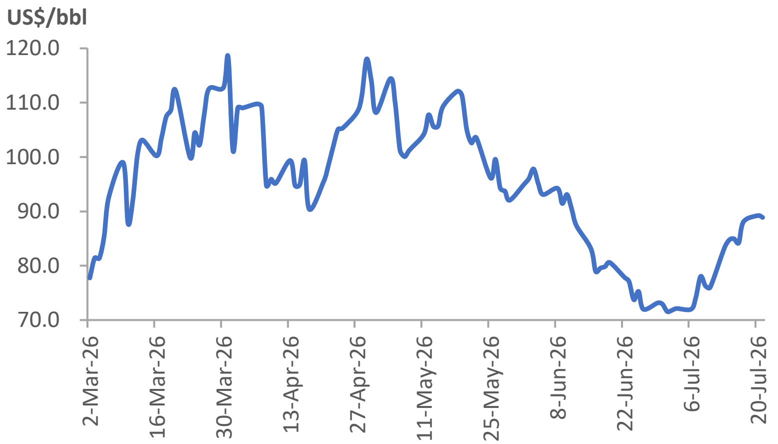
Recent surge in oil prices warrants cautious approach

What changes in Policy Rate do you expect in the upcoming MPC?



Source: Topline Research Poll

Brent Oil Trend over last 5 months

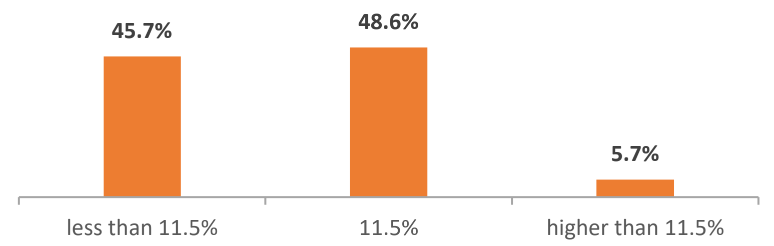


Source: Bloomberg, Topline Research

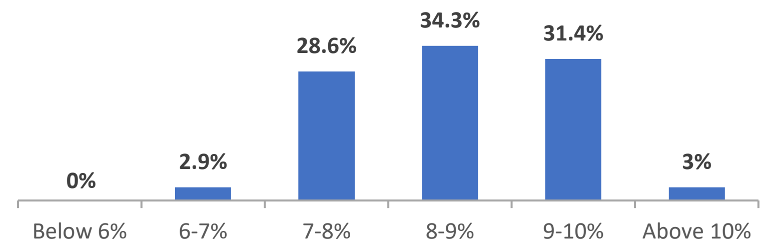
- State Bank of Pakistan (SBP) is scheduled to hold the fifth Monetary Policy Committee (MPC) meeting of 2026 on Jul 27, 2026.
- To recall, in the Monetary Policy Committee meeting held on Jun 15, 2026, the central bank kept the policy rate unchanged at 11.5%, in line with market expectations. In previous poll conducted by Topline Securities, 49% of participants had anticipated no change.
- Since the last Monetary Policy Committee (MPC) meeting, market expectations for interest rates have shifted in both directions amidst volatile geopolitical situation. Following the signing of the US-Iran Memorandum of Understanding (MoU) on June 18, 2026, the easing geopolitical tensions and the softer international oil prices led market participants to increasingly price in cumulative rate cuts of 100–150bps over the next 2 to 3 MPC meetings.
- However, renewed tensions between the US and Iran over the past two weeks have reversed part of that optimism. The resulting rebound in oil prices has reduced the likelihood of an imminent rate cut, with markets now awaiting a more conclusive outcome from any renewed US-Iran negotiations (if any) before reassessing the monetary policy outlook.
- This shift in expectations is also reflected in the secondary market. Following the June 18, 2026 MoU, secondary market 6-month Treasury bill yield fell by 116 bps from high of 12.46% on 11 Jun 2026 to 11.30% on 9th/10th Jul 2026, below the current policy rate of 11.5%. Over the past ten days, however, yields have retraced higher by 20bps currently trading at 11.50%.
- In light of these developments, we expect the State Bank of Pakistan (SBP) to maintain the policy rate at 11.5% in its July 27, 2026 MPC meeting. While inflation remains well contained, heightened geopolitical uncertainty and the recent rebound in oil prices warrant a cautious approach before considering any policy easing.
- **Topline Securities Poll:** In a poll conducted by Topline Securities, 97% of respondents expect the policy rate to remain unchanged on Jul 27, 2026 MPC meeting. Meanwhile, the remaining 3% anticipate a decline of 100bps.
- **Current secondary market yields suggest a smaller rate hike:** The secondary market yields of 6M T-bills and 6M KIBOR are hovering at 11.5% and 11.67%, respectively, down 62 and 69 bps since the last Monetary Policy on Jun 15, 2026.
- The prevailing secondary market yields incorporates hike of 50-75bps, in our view.

Participants divided over inflation expectations in FY27E

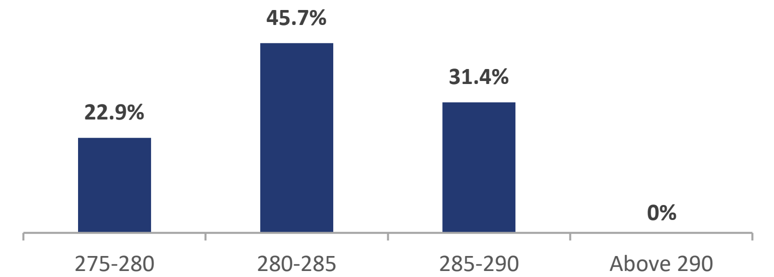
Where do you see policy rate by Dec 2026?



What is your CPI estimate for FY27F?



Where do you see PKR/USD by Dec 2026 (Interbank)?



Source: Topline Research Poll

- Topline Research also conducted a poll of key market participants on expectations over policy rate, average inflation, and PKR USD parity.
- **Policy Rate target for Dec 2026:** On the question regarding the policy rate outlook for Dec-2026, respondents were split between expecting no change and anticipating a rate cut by Dec 2026. Around 49% expect the policy rate to remain at the current level of 11.5%, while another 46% foresee it declining below 11.5%. The remaining 6% expect the policy rate to rise above 11.5%.
- However, we expect the policy rate to fall below 11.5% by Dec 2026.
- **Inflation:** Respondents remained divided on the FY27 inflation outlook. Around 34% expect average inflation to range between 8–9%, while 31% anticipate inflation averaging 9–10% and 29% expect it to fall within 7–8%. Only 3% of participants expect inflation to average 6–7%, while another 3% foresee inflation exceeding 10%.
- However, we expect Inflation to average at 7.0-8.0% during FY27E.
- **Exchange Rate:** On the currency front, respondents largely expect the rupee to remain stable by Dec 2026. Around 46% expect the PKR/USD exchange rate to clock in the Rs280–285 range, while 31% foresee it settling between Rs285–290. The remaining 23% expect the rupee to strengthen further to Rs275–280, with no respondents anticipating the exchange rate to weaken beyond Rs290/USD by the end of Dec 2026.
- We expect PKR/USD parity at Rs280-285 by Dec 2026.

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Market Weight	= Weight in KSE-100 Index
Under Weight	< Weight in KSE-100 Index

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