

- In today's meeting, the Monetary Policy Committee increased the policy rate by 100bps to an all-time high of 21%. This decision was made due to entrenched inflation expectations and continuous increase in core inflation.
- According to survey by SBP, household inflation expectations have slightly decreased while business inflation expectations have slightly increased. On balance, inflation expectations are plateauing, although they remain at a high level.
- The real interest rate on forward looking basis is positive barring any supply shocks.
- Global banking stress has further tightened liquidity conditions, making it even more challenging for developing countries like Pakistan to access funding.
- The Finance ministry is leading negotiation with the IMF. The key outstanding issue remains bridging external financing gap. The central bank has taken all the required steps demanded by the IMF.
- Pakistan total debt repayments for FY23 are USD 23bn. Of this amount, USD 18.5bn have either been rolled over or repaid, while USD 4.5bn remains outstanding. Of this remaining USD 4.5bn, only USD 2.2bn needs to be repaid, while the rest will be rolled over or refinanced. Commercial loan component in USD 2.2bn repayment is only USD 100mn.
- Inflows are conditioned on the IMF program and once the SLA is finalized with the IMF, the SBP is hopeful that foreign exchange reserves will exceed USD 10bn by June 2023.
- The banking system is very resilient despite tough economic environment. The CAR is over 17% versus minimum requirement of 11.5%. The banks have coverage ratio close to 90% against non-performing loans. The banks have buffers to absorb losses on AFS portfolio.

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