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SBP Keeps Interest Rate at 11 Percent to Curb Inflation

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– Categories: Finance



The State Bank of Pakistan (SBP) announced on Wednesday that it will maintain the policy rate at 11 percent, emphasizing the need to continue its cautious monetary stance to stabilize inflation and sustain macroeconomic progress.

SBP Governor Jameel Ahmed shared the decision following the central bank's Monetary Policy Committee (MPC) meeting in Karachi. The committee evaluated economic developments, global commodity price uncertainty, and external risks before deciding to keep the rate unchanged.

In its official statement, the MPC noted that while headline inflation declined to 3.2 percent in June, down from 3.5 percent in May, upcoming adjustments in fuel and electricity prices may affect inflation trends in the coming months. Nonetheless, inflation is projected to remain within the 5 to 7 percent target range for FY26.

The committee also observed signs of gradual economic recovery. Indicators such as automobile sales, fertilizer offtake, and private sector credit have improved. Manufacturing, as measured by the Large-Scale Manufacturing (LSM) index, showed year-on-year growth in April and May after previous declines.

Economic growth is forecast to rise between 3.25 and 4.25 percent in FY26, up from a provisional 2.7 percent in FY25. The improvement is attributed to easing financial conditions, increased investor confidence, and better prospects for major crops due to improved water availability.

The MPC noted that the current account posted a surplus of \$328 million in June, contributing to a full-year surplus of \$2.1 billion. Workers' remittances remained a key source of support, helping to offset the impact of rising imports. Foreign exchange reserves surpassed \$14 billion in June and are projected to reach \$15.5 billion by December.

On the fiscal front, revised figures show both primary and overall balances outperforming their FY25 targets. However, the Federal Board of Revenue (FBR) fell slightly short of its revised target of Rs 11.7 trillion. For FY26, the government is targeting a primary surplus of 2.4 percent of GDP, requiring strong revenue efforts and expenditure control.

Private sector credit growth accelerated to 12.8 percent, and broad money (M2) grew by 14 percent, primarily driven by an increase in net foreign assets.

While the outlook remains cautiously optimistic, the committee flagged potential risks, including volatile global prices, energy cost adjustments, and possible flood-related disruptions.

The SBP reaffirmed its commitment to ensuring price stability and supporting economic recovery through a balanced policy approach.