

# Monetary Policy – Analyst Briefing

## SBP revised policy rate downwards by 150 bps

10 June 2024

- **Policy rate revised down to 20.5%.** The briefing tone was positive, indicating improving macroeconomic conditions. The SBP noted that inflation is on a downward trend, and pressure on the currency has eased with close to USD 2 BN of dividend backlog cleared in FY24TD compared to only USD 267 MN in FY23. The SBP noted that despite anticipated tight budgetary measures, energy price adjustments, and assumed rebound in food prices, the current policy rate at 20.5% is appropriately tight.
- **Monetary aggregates in line with tight monetary policy stance.** The tight monetary policy stance is reflected in decelerating monetary aggregates, helped by fiscal consolidation. The SBP highlighted that reserve money growth has been contained to just 4% Y/Y. Similarly, M2 growth (15.1% Y/Y) has been much lower than nominal GDP growth at about 26%. NDA has also continued its deceleration momentum. Likewise, private sector credit flow levels are significantly lower than the historical average.
- **About USD 2.0 BN principal repayment in Jun/Jul-24.** With about USD 1 BN repayment in Jun-24, the total repayment in FY24 will reach USD 12.0 BN. The rest are rollovers, which are agreed in principle to be rolled over, with only formalities pending.
- **All pending dividend payments to be cleared.** The SBP highlighted that about USD 1.0 BN was repaid in May-24 alone, with the FY24TD number reaching above USD 2.0 BN. They intend to clear all remaining dividend payments before the close of FY24.
- **Forward guidance to be announced in next MPC.** The SBP refrained from sharing any guidance for forward monetary policy or the macro estimates for FY25. They preferred to wait for the formal announcement of the budget and the conclusion of IMF discussions to set macro estimates for FY25.

### Policy Rate (PR) Stance in Last 10 MPC meetings

	Date	Policy Rate	Change
1	12-Jun-23	21.00%	0.00%
2	26-Jun-23	22.00%	1.00%
3	31-Jul-23	22.00%	0.00%
4	14-Sep-23	22.00%	0.00%
5	30-Oct-23	22.00%	0.00%
6	12-Dec-23	22.00%	0.00%
7	29-Jan-24	22.00%	0.00%
8	18-Mar-24	22.00%	0.00%
9	29-Apr-24	22.00%	0.00%
<b>10</b>	<b>10-Jun-24</b>	<b>20.50%</b>	<b>-1.50%</b>

Source: SBP, Optimus Research

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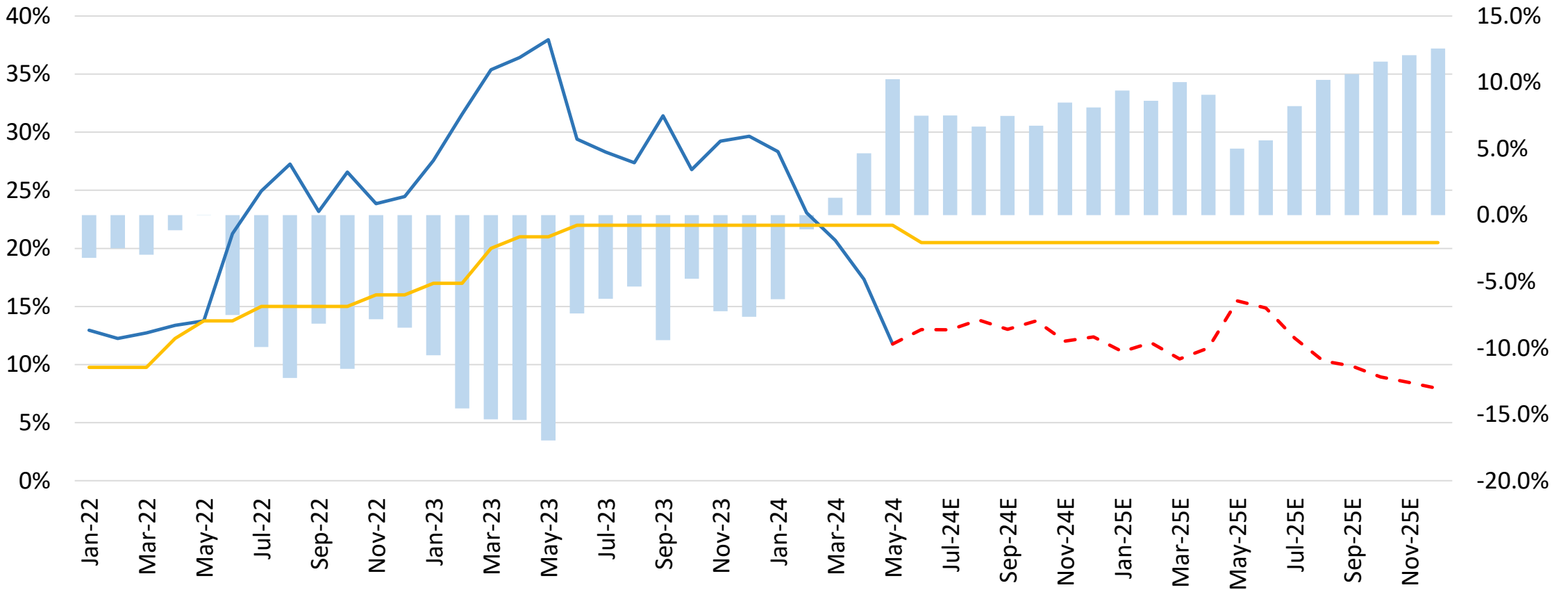
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REN: REP-107



# 12M forward RiR still significantly positive at 7.9%



Source: SBP, PBS, Optimus Research

## Analyst Certification

The research analyst for this report, Maaz Azam, certifies that: (1) all of the views expressed in this report accurately reflect his personal views about the subject; and (2) no part of any of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst in this report.

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