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'Recent developments to hurt future inflation outlook'

KARACHI: The State Bank of Pakistan (SBP) left the interest rate unchanged at 13.25 percent on Friday, as expected, to prevent food inflation, nearing the top of the central bank's target range, from further spreading.

"The decision reflected the MPC's (Monetary Policy Committee) view that recent developments have had offsetting implications for the inflation outlook," the central bank said in a policy statement.

"On the one hand, recent inflation outturns have been on the higher side. On the other, the causes behind these outturns have primarily been increases in food prices which are expected to be temporary." It said the inflation, based on the new index, rose 11 percent year-on-year and 1.8 percent month-on-month in October 2019.

"These outturns, especially recent month-on-month outturns, were somewhat higher than expectations but largely reflected upward adjustments in administered prices and rise in prices of food items primarily due to temporary supply disruptions," the statement said.

"The MPC noted that recent outturns of month-on-month inflation had been higher than in previous months and if sustained could affect inflation expectations." It said the market sentiment has begun to gradually improve on the back of sustained improvements in the current account and continued fiscal prudence.

The SBP's projection for average inflation for FY2020 remained broadly unchanged at 11-12 percent and "maintaining the current monetary policy stance was appropriate," it added.