

### **Monetary policy on Nov 23**

KARACHI: The State Bank of Pakistan will unveil its bimonthly monetary policy on Monday (November 23) with most analysts expecting a status quo to be maintained in the policy rate.

"The Monetary Policy Committee of the SBP will meet on Monday, November 23, 2020 at the SBP Karachi to decide about the monetary policy," the SBP's statement said on Thursday.

The central bank kept the policy rate unchanged at 7 percent at its last review meeting held in September.

In response to the COVID-19 crisis and with a view to supporting the economic growth, the central bank has reduced interest rates by 625 basis points to 7 percent in the easing cycle from March to June 2020.

Analysts said the recent projections presented by the central bank in its annual report on the State of Economy for FY2020 signals no change in the policy stance at least this year.

It has kept the inflation forecast intact at 7 percent to 9 percent in FY2021. It seems the SBP will keep its stance loose till the economy recovers to its potential and the current account deficit to stay under 2.5 percent of GDP, analysts said.

Given this stability in oil prices, domestic fuel prices are likely to remain steady during FY2021. However, as the previous adjustments in the power and gas tariffs are due, there is an upside risk to the overall energy inflation.

Some analysts said the Monetary Policy Committee is expected to remain cautious and will keep an eye on inflation.

"Conditions in the domestic food market are also subject to risk. The recent resurgence in wheat and sugar prices continues to highlight commodity-management problems in the country," the SBP said in a report.

Moreover, food prices may also come under pressure due to widespread torrential rains and increased risks of flooding, which may cause crop losses, it added.

"In contrast, the non-food-non-energy segment of CPI is expected to ease further, as chances of a significant pick-up in domestic demand remain low due to weak financial position of businesses and households," it said.