

KARACHI: The first monetary policy since the new government was installed in Islamabad will be announced on Saturday for next two months, said the State Bank of Pakistan (SBP) on Wednesday.

The Monetary Policy Committee in its last monetary policy announcement on July 14 raised the key interest rate by 100 basis points to 7.5 per cent to cap the rising inflation.

In view of the inflationary trends observed at the close of FY18, SBP revised estimates for average Consumer Price Index (CPI) inflation for FY19 upwards from the range of 5.5-6.5pc to 6-7pc.

The SBP noted that the forecasted range anticipates the inflation for FY19 to surpass the 6pc target, mainly due to impact of PKR depreciation and the worsening twin deficits. External factors such as rising international commodity prices are also likely to supplement the increasing trend in inflation.

In addition to that, the government is under immense pressure to tackle the twin deficits - current account deficit and the fiscal deficit. However, the task is politically daunting for the government as it would have to compromise on economic growth rate by making the money costlier considering the ruling party's pre-election target of creating 10 million jobs during the next five years.

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