

MEDIA COVERAGE



PIDE
PAKISTAN INSTITUTE
OF DEVELOPMENT
ECONOMICS



Policy View Point: NO.60:2026

Hold the Policy Rate at 10.5 Percent on 27 April 2026: Why War-Driven Supply Risks Now Outweigh the Case for Further Easing



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April 27, 2026

The News International

<https://www.thenews.pk/print/1412296-sbp-urged-to-hold-policy-rate-at-10-5pc-amid-inflation>

Nation

<https://www.nation.com.pk/27-Apr-2026/pide-calls-keeping-policy-rate-unchanged-10-5pc>

APP Pakistan

<https://www.app.com.pk/business/pide-urges-holding-policy-rate-at-10-5-amid-war-inflation-risks/>

Daily Times

<https://dailytimes.com.pk/1484350/pide-urges-holding-policy-rate-at-10-5-amid-war-inflation-risks/>

Islamabad Post

<https://islamabadpost.com.pk/pide-says-keep-policy-rate-at-10-5-percent/>

Samaa News

<https://www.samaa.tv/2087349879-pide-advises-sbp-to-keep-interest-rate-at-10-5>

Global News Pakistan

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THE NATION
April 27, 2026

PIDE calls for keeping policy rate unchanged at 10.5pc

FAWAD YOUSAFZAI
ISLAMABAD

The Pakistan Institute of Development Economics (PIDE) has called for keeping the policy rate unchanged at 10.5 percent as the State Bank of Pakistan's Monetary Policy Committee convenes on April 27 (today).

PIDE's Policy View Point argued that the central question before the committee has shifted: it is no longer whether inflation has fallen far enough from its 2023 peak to permit easing, but whether Pakistan can safely ease at all into a period of renewed geopolitical and commodity-market stress. On that question, PIDE's answer is an unambiguous no. The main message is "keep the policy rate status quo, no urgency to increase it, the committee will have another chance to meet after 1.5 months," said PIDE.

The inflation picture alone counsels restraint. Headline CPI rose to 7.3 percent year-on-year in March 2026, reversing February's 7.0 percent reading, while rural core inflation climbed to 8.4 percent — driven by supply-chain inefficiencies, higher transport costs, and the outsized weight of food in rural consumption baskets. The March uptick is troubling not just in magnitude but in timing: prices firmed precisely as energy risks were intensifying, raising the prospect that fuel, freight, and import-cost pressures could broaden further. Cutting rates in this environment, PIDE warns, risks signalling that the State Bank is prioritising short-term sentiment over its inflation-anchoring mandate — a perception costly to reverse.

Growth, meanwhile, provides no urgent case for easing. Real GDP expanded at 3.89 percent in Q2 FY2025-26 and industry surged to 7.4 percent growth, reflecting the gains from the State Bank's prior easing cycle since July 2025. The economy is in recovery, not distress — and PIDE is clear that a rate cut is warranted when urgent support is needed, not simply because conditions have improved. The marginal growth gain from a fifty-basis-point cut in April would be limited; the potential cost in weakened inflation expectations could be materially larger. The Israel-US-Iran war has added a de-

PIDE calls on State Bank to hold policy rate at 10.5% as War-Driven inflation risks outweigh the case for further easing

■ NEWS DESK

ISLAMABAD

As the State Bank of Pakistan's Monetary Policy Committee convenes on 27 April 2026, the Pakistan Institute of Development Economics (PIDE) is calling for the policy rate to be held unchanged at 10.5 percent.

The main message is "keep the policy rate status quo, no urgency to increase it, the committee will have another chance to meet after 1.5 months."

In Policy View Point, authors Dr. Irem Batool, Amna Riaz, and Dr. S. M. Naeem Nawaz argue that the central question before the committee has shifted: it is no longer whether inflation has fallen far enough from its 2023 peak to permit easing, but whether Pakistan can safely ease

at all into a period of renewed geopolitical and commodity-market stress. On that question, PIDE's answer is an unambiguous no.

The inflation picture alone counsels restraint. Headline CPI rose to 7.3 percent year-on-year in March 2026, reversing February's 7.0 percent reading, while rural core inflation climbed to 8.4 percent — driven by supply-chain inefficiencies, higher transport costs, and the outsized weight of food in rural consumption baskets.

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PIDE calls on State Bank to hold policy rate

ISLAMABAD :As the State Bank of Pakistan's Monetary Policy Committee convenes on 27 April 2026, the Pakistan Institute of Development Economics (PIDE) is calling for the policy rate to be held unchanged at 10.5 percent. The main message is "keep the policy rate status quo, no urgency to increase it, the committee will have another chance to meet after 1.5 months." In Policy View Point, authors Dr. Irem Batool, Amna Riaz, and Dr. S. M. Naeem Nawaz argue that the central question before the committee has shifted: it is no longer whether inflation has fallen far enough from its 2023 peak to permit easing, but whether Pakistan can safely ease at all into a period of renewed geopolitical and commodity-market stress. On that question, PIDE's answer is an unambiguous no. The inflation picture alone counsels restraint. Headline CPI rose to 7.3 percent year-on-year in March 2026, reversing February's 7.0 percent reading, while rural core inflation climbed to 8.4 percent – driven by supply-chain inefficiencies, higher transport costs, and the outsized weight of food in rural consumption baskets. The March uptick is troubling not just in magnitude but in timing: prices firmed precisely as energy risks were intensifying, raising the prospect that fuel, freight, and import-cost pressures could broaden further. Cutting rates in this environment, PIDE warns, risks signalling that the State Bank is prioritising short-term sentiment over its inflation-anchoring mandate – a perception costly to reverse. Growth, meanwhile, provides no urgent case for easing. Real GDP expanded at 3.89 percent in Q2 FY2025-26 and industry surged to 7.4 percent growth, reflecting the gains from the State Bank's prior easing cycle since July 2025. The economy is in recovery, not distress – and PIDE is clear that a rate cut is warranted when urgent support is needed, not simply because conditions have improved. The marginal growth gain from a fifty-basis-point cut in April would be limited; the potential cost in weakened inflation expectations could be materially larger. The Israel-US-Iran war has added a decisive new layer of risk. Higher crude prices feed through to fuel and electricity costs; Strait of Hormuz disruptions have elevated freight and insurance costs beyond crude itself; a larger oil import bill puts pressure on the rupee; and costlier energy raises agriculture and logistics costs that filter into food inflation with a lag. Although the early-April ceasefire eased immediate pressure – with the Sensitive Price Index falling in two consecutive weeks – PIDE cautions that this fragile calm does not justify loosening policy before the scale and persistence of the external shock are clear. On the external side, a current-account surplus of \$1.07 billion in March, powered by remittances of \$3.83 billion, is encouraging, but SBP reserves slipping from \$16.4 billion to \$15.1 billion in a matter of days illustrates just how exposed Pakistan remains to a prolonged commodity shock.—DNA

April 27, 2026

PIDE urges holding policy rate at 10.5% amid war inflation risks

The Pakistan Institute of Development Economics (PIDE) has called for the policy rate to keep unchanged at 10.5 percent ahead of the State Bank of Pakistan's Monetary Policy Committee meeting scheduled for Monday.

"The main message is to keep the policy rate on hold. There is no urgency to raise it, and the committee will have another opportunity to meet in 1.5 months," a PIDE news release said.

In its Policy Viewpoint, authors Dr Irem Butool, Amna Riaz and Dr S.M. Naeem Nawaz argued that the central question before the committee has shifted: "It is no longer whether inflation has fallen far enough from its 2023 peak to permit easing, but whether Pakistan can safely ease at all amid renewed geopolitical and commodity-market stress. On that question, PIDE's answer is an unambiguous no."

The inflation picture alone counsels restraint, they said. Headline CPI rose to 7.3 percent year-on-year in March 2026, reversing February's 7.0 percent reading, while rural core inflation climbed to 8.4 percent - driven by supply-chain inefficiencies, higher transport costs, and the outsized weight of food in rural consumption baskets.

"The March uptick is troubling not just in magnitude but in timing: prices firmed precisely as energy risks were



intensifying, raising the prospect that fuel, freight and import-cost pressures could broaden further," they added.

Cutting rates in this environment, PIDE warned, would risk signaling that the State Bank was prioritizing short-term sentiment over its inflation-anchoring mandate - a perception that is costly to reverse.

Meanwhile, growth provides no urgent case for easing. Real GDP expanded by 3.89 percent in Q2 FY2025-26 and industry

surged 7.4 percent, reflecting gains from the State Bank's prior easing cycle since July 2025.

The economy is in recovery, not distress, PIDE said. "A rate cut is warranted when urgent support is needed, not simply because conditions have improved. The marginal growth gain from a 50-basis-point cut in April would be limited, while the potential cost to inflation expectations could be materially larger."

The Israel-US-Iran conflict

has added a decisive new layer of risk, with higher crude prices feeding through to fuel and electricity costs.

PIDE said disruptions in the Strait of Hormuz have elevated freight and insurance costs beyond crude itself. "A larger oil import bill puts pressure on the rupee, and costlier energy raises agriculture and logistics costs that filter into food inflation with a lag."

Although the early-April ceasefire eased immediate

pressure - with the Sensitive Price Index falling for two consecutive weeks - PIDE cautioned that this fragile calm does not justify loosening policy before the scale and persistence of the external shock are clear.

On the external front, a current-account surplus of \$1.07 billion in March, powered by remittances of \$3.83 billion, is encouraging. However, SBP reserves slipping from \$16.4 billion to \$15.1 billion within days illustrate Pakistan's exposure to a prolonged commodity shock.

PIDE's view is that a cut cannot be justified given re-accelerating inflation, an improving growth outlook that removes urgency, and material war-driven upside risks.

A hike is equally premature, it said, noting the real policy rate is already positive at 3.2 percentage points above headline CPI, and market yields signal caution rather than alarm.

"Maintaining 10.5 percent with a mildly hawkish communication bias preserves disinflation credibility, avoids overreacting to what may prove transitory, and gives the committee time to assess whether conflict-driven pressures fade or deepen. A hike should remain on standby - a contingency to be deployed only if oil, exchange-rate and inflation dynamics worsen sharply," PIDE maintained. APP