

REGULATORY WATCH

By: ICMA Research and Publications Department

SBP raises policy rate to 11.50 percent amid inflation risks

The Monetary Policy Committee (MPC) of the State Bank of Pakistan raised the policy rate by 100 basis points to 11.50 percent, effective April 28, 2026, citing rising inflation risks from the prolonged Middle East conflict, which has increased global energy, freight, and insurance costs and disrupted supply chains. It said inflation is likely to remain above target in coming months, requiring a tighter stance to anchor expectations, while noting inflation at 7.3 percent, core inflation at 7.8 percent, GDP growth of 3.8 percent in H1 FY26, a small current account surplus, and SBP reserves of about \$15.8 billion, and stressing fiscal discipline and reforms for stability and growth.

SBP Half Year Report FY26 shows stability but flags risks

The State Bank of Pakistan (SBP) has released its Half Year Report FY26. It said macroeconomic stability improved in H1 FY26 despite global uncertainty and floods, supported by lower inflation, stronger foreign exchange buffers, and a fiscal surplus for the first time since FY2002, driven by tighter policies, IMF support, and improved inflows. Growth strengthened, with real GDP rising faster than last year, led by industry, services, and agriculture, while remittances helped contain the current account deficit. The report warned that risks remain from the Middle East conflict, potentially affecting trade, remittances, and inflation. It also cited structural constraints including low savings, weak exports, limited FDI, and a low tax-to-GDP ratio. SBP projected FY26 growth near the lower end of 3.75–4.75 percent and said inflation may remain above the 5–7 percent target range in FY27 due to energy price pressures.

SBP receives \$1.3 billion from IMF under EFF and RSF

The State Bank of Pakistan (SBP) received about \$1.3 billion from the IMF under the Extended Fund Facility (EFF) and Resilience and Sustainability Facility (RSF) after the IMF Executive Board completed the third EFF review and approved SDR 760 million, along with a second RSF tranche of SDR 154 million in its meeting held on 8 May 2026. The combined disbursement of SDR 914 million was received on 12 May 2026 and will be reflected in SBP's foreign exchange reserves for the week ending 15 May 2026.

SECP registrations up 21 percent to 10,511 companies

The Securities and Exchange Commission of Pakistan (SECP) reported a 21 percent increase in new company registrations during Feb–Apr 2026, with 10,511 companies incorporated compared to 8,693 in the same period last year, driven by faster incorporation and licensing processes, improved

regulatory guidance, and strengthened internal capacity under ongoing reforms. April alone recorded 4,082 incorporations, the highest monthly level, while foreign participation also improved with investors from over 22 countries. Around 220 companies with foreign shareholders were registered, with paid-up capital rising to Rs 882 million from Rs 277 million, mainly in trading, services, IT, construction, and mining sectors, with Chinese investors among key participants.

SECP issues first digital finance licences, reduces backlog

The Securities and Exchange Commission of Pakistan (SECP) issued key digital finance licences, including the country's first Shariah-compliant digital general takaful licence to First Digital Takaful Company Limited and the first digital investment advisory services licence to Wealthbridge Management Limited, while also licensing Punjab Life Insurance Limited as the first provincial government-owned life insurer. Over the past three months, it disposed of 510 cases out of 1,143 total applications, bringing pending cases down to 633, alongside reforms to remove foreign security clearance requirements and simplify documentation for Section 42 companies to support digitalization and ease of doing business.

FBR plans AI tax monitoring and e-auction system

The Federal Board of Revenue (FBR) is considering AI-based systems to detect false tax returns and discrepancies, along with a digital e-auction platform for customs-seized goods, as part of upcoming budget reforms aimed at curbing underreporting, under-invoicing, tax evasion, and smuggling. The proposals, reviewed in a high-level meeting, focus on a technology-driven, business-friendly tax system with minimal human interaction to improve compliance, transparency, and efficiency, while FBR has been directed to refine the measures before finalization to support broader tax base expansion and fiscal stability.

FBR tax shortfall rises to Rs 683 billion

The Federal Board of Revenue (FBR) recorded a Rs 683 billion tax shortfall during July–April FY26, collecting Rs 10.26 trillion against the revised target as growth slowed to 10.5 percent, with misses across income tax, sales tax, customs duty, and excise, partly offset by import-stage taxes and Rs 499 billion in refunds, while the IMF allowed Pakistan to recover the remaining Rs 53 per litre petroleum levy in two phases to support revenue efforts and help manage fiscal gaps under the ongoing programme through higher fuel levies and spending controls.