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Statement by the Hon. **JAMEEL AHMAD,**
Governor of the Fund for **PAKISTAN**

Statement by Mr. Jameel Ahmad
Governor State Bank of Pakistan (SBP)

Honorable Chairperson,

Fellow Governors, Ladies and Gentlemen,

The global economy continues to face considerable uncertainty. The ongoing Middle East conflict has disrupted energy markets and supply chains, renewed inflationary pressures, and added complexity to monetary policy decisions. Persistent trade tensions, growing geo-economic fragmentation, and increasing frequency of climate-related shocks have also clouded global economic prospects. These challenges are particularly pronounced for emerging markets and developing economies, where limited policy space and elevated debt levels constrain their ability to withstand successive shocks.

Against this challenging backdrop, Pakistan has continued to consolidate its hard-earned macroeconomic stability. Despite the monsoon floods, trade-tariffs-related uncertainty, and the prolonged Middle East conflict, prudent and coordinated monetary and fiscal policies have helped sustain build-up of external and fiscal buffers, while economic recovery continues. Supported by improvements across major sectors, economic activity gained further traction in Fiscal year 2025/26 (ended in June 2026). Nonetheless, conflict-related supply chain disruptions moderated growth momentum towards the end of last fiscal year.

Inflation remained well within the medium-term target range of 5 – 7 percent during much of FY26, before the global energy price shock pushed the headline inflation into double digits from April 2026 onwards. Nevertheless, average inflation for FY26 remained at 7.1 percent, close to the upper bound of the target range. In response to these developments, the central bank responded with a cautious and data-dependent monetary policy stance, raising the policy rate by 100 basis points to 11.5 percent in April 2026. This has helped to keep inflation expectations anchored, containing second-round effects of the energy price shock, and preserving macroeconomic stability.

Pakistan's external position also demonstrated resilience. The central bank’s foreign exchange reserves rose to around three months of import cover, representing a significant and sustained improvement over the past three years. The central bank also continued to make net FX purchases even amid heightened external pressures, while a notable reduction in forward liabilities further improved the quality of these FX buffers. This strengthening was supported by resilient workers' remittances, which helped contain the current account deficit despite a widening merchandise trade deficit.

Fiscal consolidation also continued. The fiscal deficit more than halved during FY26, with both the fiscal and primary balances outperforming the budget estimates. This was despite additional spending on relief activities for flood-affected people and targeted support for vulnerable households during the recent surge in energy prices. Lower interest payments and expenditure rationalization also helped reduce the public debt burden.

The improvements in macroeconomic fundamentals, strengthening fiscal and external buffers, alongside continued progress under the IMF-supported programme, contributed to sovereign credit rating upgrades by major international credit rating agencies, reinforcing investors’ confidence.

Looking ahead, domestic economic activity is expected to maintain the growth momentum, supported by improving domestic demand and business sentiments. While elevated global commodity prices are adding to inflationary pressures, the continuation of prudent monetary and fiscal policies is expected to preserve macroeconomic stability, with anchored inflation expectations and manageable external current account balance. Nevertheless, geopolitical uncertainty and El Niño-related weather risks

warrant continued vigilance. Pakistan remains committed to strengthening fiscal and external buffers and advancing structural reforms to enhance productivity, export competitiveness, and climate resilience.

Pakistan's experience also underscores a broader challenge: domestic policy efforts alone cannot fully insulate developing and emerging economies from increasingly frequent and interconnected global shocks. While acknowledging the important role of the IMF, World Bank, and other multilateral institutions, the present global economic environment calls for a more proactive, coordinated, and responsive international financial architecture. In this regard, I would highlight following key priorities.

First, strengthen the global financial safety net. In this regard, expeditious implementation of the IMF's 16th General Review of Quotas and meaningful progress under the 17th Review are essential to strengthen lending capacity and ensure more representative governance. Innovative arrangements, including voluntary SDR rechanneling, alongside adequate capitalization of multilateral development banks (MDBs), can further expand financing support.

Second, there is a need to graduate from a mainly reactive crisis-financing towards a mechanism for anticipatory support. The IMF and multilateral development banks should explore pre-arranged, rapidly accessible and transparent financing mechanisms, linked with shock-related triggers. Timely liquidity assistance could prevent temporary external disruptions from escalating into prolonged economic crises and reversing hard-earned macroeconomic gains.

Third, the IMF and MDBs should better distinguish domestic policy-induced imbalances from disruptions arising from external shocks, allowing appropriate flexibility in programme targets, financing access, and adjustment timelines with adequate safeguards. At the same time, greater support for private capital mobilization, trade diversification and capacity building is essential to protect development spending, strengthen economic resilience, and sustain growth amid rising debt burdens and geo-economic fragmentation.

Fourth, bridge the emerging AI divide between advanced and emerging economies. The IMF and multilateral development banks should assist member countries harness AI for better economic surveillance, early identification of risks, and productivity enhancement. Targeted financing, technical assistance, and knowledge sharing can strengthen digital infrastructure and institutional capabilities, ensuring that the benefits of AI are broadly shared rather than becoming another source of global inequality.

Finally, embed climate resilience more firmly within the multilateral financing frameworks. In view of internationally agreed principle of the Common but Differentiated Responsibilities, greater access to concessional and disaster-contingent financing, climate-resilient debt instruments, and appropriate temporary debt-service relief following major natural disasters could help vulnerable countries manage recurring shocks without aggravating debt burdens. Support for climate adaptation, sustainable agriculture, and energy security must remain central to this effort.

The challenges facing the global economy demand stronger international cooperation and a multilateral system that not only responds to crises but helps countries prepare for and withstand them. Pakistan remains committed to working closely with its international partners towards a more resilient, inclusive, and sustainable global economy.

Thank you.