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### **SBP takes steps to boost exports, manufacturing**

KARACHI: The State Bank of Pakistan (SBP) on Tuesday announced two key measures to boost exports and facilitate the manufacturing sector. The SBP has decided to enhance the existing limits of exports-related soft loans upto Rs 100 billion and secondly allowed manufacturing sector an advance payment of upto \$10,000 for import of raw materials and spare parts.

Addressing a press conference here on Tuesday at SBP head office, Governor State Bank Dr. Reza Baqir said that previously exchange rate regime was uncertain, due to which restrictions were imposed on advance payments. However, he said, now the regime is sustainable, which has provided some cushion to allow the advance payments to the manufacturing sector to facilitate them for ease of doing business.

According to SBP's circular, in order to facilitate the manufacturing sector, Authorized Dealers (banks) are allowed to effect advance payment up to USD 10,000, or equivalent thereof, per invoice on behalf of manufacturing concerns for import of raw materials and spare parts for their own use only.

In addition, the SBP has also allowed Pakistani firms or companies to acquire services from abroad without prior permission of Foreign Exchange Operations Department (FEOD) if total value does not exceed USD 10,000. The banks are allowed to effect remittance in such cases subject to meeting all other requirements. SBP has also issued two separate circulars and asked banks to ensure meticulous compliance of these directives.

Governor SBP said that Export Finance Scheme (EFS) is a short-term financing scheme for exporters under which loans are available at 3 percent interest rate. While, under the Long Term Financing Facility (LTFF) loans are being provided on a long-term basis at 5 percent for textile and 6 percent for other sectors.

SBP's these two schemes are contributing largely in economic and exports growth with upto 25 percent share in private sector credit, he added.

"As exports are the backbone of the economy, the SBP has decided to enhance the existing limits of these two schemes upto Rs 100 billion to support exports and earn more foreign exchange for the country," he said.

Dr. Reza said these two schemes are fully consistent with the IMF program and new limits will be communicated to banks very shortly.

He said that with recent economic reforms, the economy is moving in the right direction and country's economic outlook is positive. Improvement has been witnessed in exchange rate as exports volumes are gradually increasing while imports are on decline.

"The economy is still growing but with a lower growth rate. There are positive developments on external and fiscal sides and we are trying to quickly pass the hard time. Good thing is that now the SBP is not financing the federal government's fiscal deficit," he added.

He said that private sector wants to become a substitute of imports and needs support from SBP therefore these steps have been taken to support the local industry. Initially, advance payment of \$10,000 has been allowed to manufacturing sector and it may be revised upward after witnessing the impact of current measures.

He said he believed that advance payment impact on imports will be manageable and SMEs sector will be the major beneficiary of advance payment relief.

Replying to a question, the governor SBP said that policy rate is the domain of Monetary Policy Committee and it will decide the interest rate. Previously, inflation outlook was positive so the committee kept the policy rate high, he added.

Dr. Reza said that recent surge in SBP's foreign exchange reserves is not due to payment from a person and it's a real improvement in the foreign exchange reserves. Previously, foreign exchange reserves were not increasing due to massive repayment of external debt servicing. However, now as the forward liabilities are reducing, SBP is taking advantage of improved market sentiments to build up its foreign exchange reserves.

"Improving foreign exchange reserves will also help attract the fresh foreign direct investment, which is expected to increase in the future," he added.

The governor said that pending refunds issue also hurt exports growth, but now it has been decided that refunds will be paid directly to exporters instead of bonds.

He said that foreign investors are also investing in T-Bills due to attractive margins and some \$ 500-600 million foreign investment has arrived in short-term government bonds. Previously, they were investing only in foreign bonds, but it's a good sign for the economy that foreign investors are also investing in debt securities. In addition, stock market has also attracted the massive foreign investment.

Replying to another question, the governor SBP said, "I have resigned from the IMF and now working as a citizen of Pakistan as governor State Bank of Pakistan".