

Our Correspondent

Decline in private sector credit to affect economic growth: FPCCI

KARACHI: The high cost of borrowing and slow economic activity in the country has pushed down the demand for the private sector credit, which would subsequently affect the next year's economic growth and unemployment, a statement quoted chief of the apex trade body, as saying, on Wednesday.

Federation of Pakistan Chambers of Commerce and Industry (FPCCI) President Daroo Khan Achakzai said over Rs4.1 billion decline in the private sector credit in the first four months of the current fiscal year is a matter of concern and the government should take measures in this regard.

Commenting on the monetary policy, he said the State Bank of Pakistan has kept the policy rate intact at 13.25 percent, while on the other side, the government reduced profit rates on

the National Saving Schemes (NSS), which was discouraging the saving environment in Pakistan.

The decline in lending rates on savings and high borrowing rates benefits the banks in terms of high spread. Achakzai said that savings are the backbone of investment viz, higher savings lead to higher investment and higher growth in an economy provided the other macroeconomic variables are conducive and a developed financial system exists in the economy.

He underlined the need for declining policy rate in Pakistan, which is very high compared with the regional economies like policy rate in India is 5.15 percent, China 4.35 percent, Sri Lanka 8 percent, Malaysia 3 percent, Thailand 1.25 percent, Indonesia 6.5 percent, etc.

The SBP kept the high interest rate due to inflationary outlook, while in Pakistan, inflation is cost push that cannot be controlled through contractionary monetary policy, he said.

He urged the central bank to lower the policy rate to increase the demand for the private sector credit, which will ultimately help in industrialisation and increase in economic growth rate.

The FPCCI president appreciated the efforts of the government for eliminating the current account deficit and zero borrowing from the central bank, which indicates availability of credit for new investments.

As the business environment has improved in Pakistan, now there is a need to promote new investment in real sector and SMEs, which will help create economic stability and development in the country, he added.