

RECORDER REPORT

**FPCCI voices concern over declining private sector credit**

KARACHI: President of the Federation of Pakistan Chambers of Commerce and Industry (FPCCI), Engr Daroo Khan Achakzai has expressed his serious concern over the declining of private sector credit by Rs 4.1 billion in the first four months of current fiscal year.

He attributed the declining of demand of private sector credit to high cost of borrowing and slow economic activity in the country which will subsequently affect the next year economic growth and unemployment.

While commenting on the monetary policy, he said that the State Bank of Pakistan is continuously adopted contractionary monetary policy and keep the policy rate at 13.25 percent while on the other side the government has declined profit rates on the National Saving Schemes (NSS) which are discouraging the saving environment in Pakistan. He added that declining of lending rate on saving and high borrowing rates benefits the banks in term of high spread. He further said that Savings are the backbone of investment viz, higher savings lead to higher investment and higher growth in an economy provided that the other macroeconomic variables are conducive and a developed financial system exists in the economy.

He underlined the need of declining of policy rate in Pakistan which is very high compared to regional economies like policy rate in India is 5.15 percent, China 4.35 percent, Sri Lanka 8.0 percent, Malaysia 3.0 percent, Thailand 1.25 percent, Indonesia 6.5 percent etc.

He said the SBP keep the high interest rate due to inflationary outlook while in Pakistan the inflation is cost push that can not be controlled through contractionary monetary policy. He urged the SBP to decline the policy rate in order to increase the demand of private sector credit which will ultimately help in new industrialization and increase in economic growth rate.

He appreciated the efforts of government for eliminating the current account deficit and zero borrowing from central bank which indicates availability of credit for new investment.

As the business environment has improved in Pakistan but now there is a need of promotion of new investment in real sector and SMEs which will help in creating economic stability and development in Pakistan.