

Loans to private sector climb 22pc to Rs5.1trln till Dec-end

KARACHI: Banks' outstanding loans to private sector businesses amounted to Rs5.1 trillion at the end of December 2018, up 22 percent year-over-over, as mounting cost of production piqued appetite for working capital and liquidity, while risk-averse banking system shifted focus from government papers, the central bank's data showed on Monday.

Outstanding loans to private sector businesses stood at Rs4.2 trillion till December-end last year, the State Bank of Pakistan's (SBP) data showed.

An upward growth in the private sector business loans was driven by higher cost of raw materials, including cotton and petroleum products, continuation of capacity expansion in power and construction-allied industries, and favourable liquidity conditions due to retirement of government borrowings from commercial banks.

Outstanding credit to government sector stood at Rs10.8 trillion compared to Rs9.4 trillion a year earlier. A larger part of the loans to private businesses was availed by manufacturing sector in which the most active borrowers were the producers of textiles.

Bank outstanding loans to manufacturing sector increased to Rs3.1 trillion at the end of December compared with Rs2.4 trillion a year ago.

Banks' outstanding loans position of textile companies stood at Rs1 trillion compared with Rs816.3 billion a year earlier. Textile sector, which is main foreign exchange earner accounting for more than 60 percent of the country's \$24 billion exports, started to show a slight recovery on government's stimulus.

The SBP said banks are not keen on investing in government papers as they focused solely on expanding private loan portfolios to park available liquidity. "Although the credit demand conditions were not upbeat partly due to higher interest rates and macroeconomic uncertainty, a strong competition persisted among banks for securing credible and financially viable projects," the central bank said in a quarterly report last month.

The SBP said the number of loan applications that the banks received posted a sharp decline during the July-September quarter. "However, banks accepted most of these applications. The average loan size against accepted applications was also quite large (due to higher input prices) compared to the same quarter of preceding three years."

Private sector credit growth remained high despite tight monetary policy since last year. The SBP lifted policy rate up a cumulative 4.5 percentage points since January 2018 to 10.25 percent.

The SBP's data further showed that food products and beverages in the manufacturing sector held the second biggest outstanding loans position after textile till last yearend as the subsector owed Rs770.9 billion compared to Rs614.2 billion a year earlier.

Banks' outstanding loans to electricity, gas and water supply stood at Rs447.4 billion till December-end compared to Rs360.5 billion. Commerce and trade, comprising of retail trade and auto maintenance, owed Rs433.7 billion to the banking system compared to Rs352.9 billion.

Outstanding loans to agriculture, hunting and forestry stood at Rs306.6 billion at December-end as opposed to Rs309 billion a year earlier.

Trust funds and non-profit organisations – other component of loans to private sector – owed Rs20.1 billion till December-end compared to Rs16.7 billion a year earlier. Outstanding loans position of bank employees and consumer financing stood at Rs639.9 billion compared to Rs549.4 billion. Alone outstanding consumer financing was recorded at Rs505.8 billion compared to Rs425 billion.

Overall, credit to private sector comprising investment in securities and shares of private sector and loans to private sector amounted to Rs6 trillion at December-end compared to Rs4.9 trillion, according to the SBP.

KARACHI: Banks' outstanding loans to private sector businesses amounted to Rs5.1 trillion at the end of December 2018, up 22 percent year-over-over, as mounting cost of production piqued appetite for working capital and liquidity, while risk-averse banking system shifted focus from government papers, the central bank's data showed on Monday.

Outstanding loans to private sector businesses stood at Rs4.2 trillion till December-end last year, the State Bank of Pakistan's (SBP) data showed.

An upward growth in the private sector business loans was driven by higher cost of raw materials, including cotton and petroleum products, continuation of capacity expansion in power and construction-allied industries, and favourable liquidity conditions due to retirement of government borrowings from commercial banks.

Outstanding credit to government sector stood at Rs10.8 trillion compared to Rs9.4 trillion a year earlier. A larger part of the loans to private businesses was availed by manufacturing sector in which the most active borrowers were the producers of textiles.

Bank outstanding loans to manufacturing sector increased to Rs3.1 trillion at the end of December compared with Rs2.4 trillion a year ago.

Banks' outstanding loans position of textile companies stood at Rs1 trillion compared with Rs816.3 billion a year earlier. Textile sector, which is main foreign exchange earner accounting for more than 60 percent of the country's \$24 billion exports, started to show a slight recovery on government's stimulus.

The SBP said banks are not keen on investing in government papers as they focused solely on expanding private loan portfolios to park available liquidity. "Although the credit demand conditions were not upbeat partly due to higher interest rates and macroeconomic uncertainty, a strong competition persisted among banks for securing credible and financially viable projects," the central bank said in a quarterly report last month.

The SBP said the number of loan applications that the banks received posted a sharp decline during the July-September quarter. "However, banks accepted most of these applications. The average loan size against accepted applications was also quite large (due to higher input prices) compared to the same quarter of preceding three years."

Private sector credit growth remained high despite tight monetary policy since last year. The SBP lifted policy rate up a cumulative 4.5 percentage points since January 2018 to 10.25 percent.

The SBP's data further showed that food products and beverages in the manufacturing sector held the second biggest outstanding loans position after textile till last yearend as the subsector owed Rs770.9 billion compared to Rs614.2 billion a year earlier.

Banks' outstanding loans to electricity, gas and water supply stood at Rs447.4 billion till December-end compared to Rs360.5 billion. Commerce and trade, comprising of retail trade and auto maintenance, owed Rs433.7 billion to the banking system compared to Rs352.9 billion.

Outstanding loans to agriculture, hunting and forestry stood at Rs306.6 billion at December-end as opposed to Rs309 billion a year earlier.

Trust funds and non-profit organisations – other component of loans to private sector – owed Rs20.1 billion till December-end compared to Rs16.7 billion a year earlier. Outstanding loans position of bank employees and consumer financing stood at Rs639.9 billion compared to Rs549.4 billion. Alone outstanding consumer financing was recorded at Rs505.8 billion compared to Rs425 billion.

Overall, credit to private sector comprising investment in securities and shares of private sector and loans to private sector amounted to Rs6 trillion at December-end compared to Rs4.9 trillion, according to the SBP.

Our Correspondent