

### **Central bank draws fire for extended rate status quo**

KARACHI: The business community on Tuesday criticised the central bank on keeping interest rate steady at 13.25 percent as it hindered expansion and industrial growth, especially with the rising cost of doing business.

Karachi Chamber of Commerce and Industry (KCCI) President Agha Shahab said overall business environment in the country was not encouraging, and a little respite would have been welcome. "The authorities should take measures to facilitate local businessmen and improve domestic business environment."

Increased competition has made it imperative for companies to focus on innovation and product differentiation to survive, which was not possible with such high cost of doing business.

He said local exporters struggled against regional competitors, and ultimately lost their market. "Lower cost of doing business not only facilitates local industrialisation, it also attracts foreign direct investment," he added.

Industrialists were of the view that government was taking measures as per its own policy, with the brunt of it falling on the industry and markets.

Pakistan Apparel Forum Chairman Javed Bilwani said the SBP only knew one tool to contain inflation ie higher interest rate. "There are many other tools, which the authorities are unable to employ, and therefore the cost of borrowing is increased adversely impacting industrial expansion and job creation."

The need was for robust data management and forecasting system to ensure sufficient supply of commodities in the market. "The fluctuation in the demand and supply of commodities opened avenues for profiteering, leading to inflation."

Bilwani said interest rates should be lowered to facilitate business expansion and industrialisation. If the cost of doing business was kept high, growth in industry and exports would be negative.

According to SBP, real interest rates on a forward-looking basis were not high compared to other emerging markets and from the perspective of Pakistan's own experience.

Federation of Pakistan Chamber of Commerce and Industry (FPCCI) former vice president Mazhar Ali Nasir said the decision was not a surprise, as food inflation was high and market expected SBP to maintain status quo.

"In his last monetary policy announcement, Governor Reza Baqir had mentioned that rates were not likely to ease before the second quarter of 2020, which I think will not be the case," Mazhar said, adding, "certain commodities including cotton and wheat are to be imported due to lower yields, and I think rates would remain steady till the fourth quarter of 2020."