

SBP cuts policy rate by 100 bps to 7%

This is fifth consecutive cut since coronavirus outbreak

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In a surprise move, the State Bank of Pakistan (SBP) on Thursday cut the benchmark interest rate by 100 basis points to over two-year low at 7% to counter the effects of the Covid-19 pandemic on the people's livelihood, businesses and the economy.

The cut is aimed at reviving economic activities, creating job opportunities, supporting people and businesses to avoid default on loans and helping banks in recording minimum losses against the loans totalling around Rs3.3 trillion.

Although the rate cut was largely in line with the market expectations, the SBP gave a surprise by announcing the decision a couple of weeks earlier than its tentatively scheduled timeline of around mid-July.

"The State Bank announced the decision earlier... to pass

on benefits of the rate cut to people and businesses with effect from July 2020," Next Capital Managing Director Muzammil Aslam told *The Express Tribune*.

The central bank will revise the benchmark commercial lending rate downwards, the Karachi interbank Offered Rate (Kibor) at the outset of July for the next six months (July-December 2020).

COVID EFFECTS

625

basis points is the cumulative decrease in rate

The SBP said: "The MPC [the monetary policy committee] of the central bank noted, with approximately Rs3.3 trillion worth of loans due to be repriced by early July 2020, this was an opportune moment to take action from a monetary policy transmission perspective.

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