BUSINESS RECORDER
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17th March, 2020

Business, industrial community reiterate demand for cut in policy rate

KARACHI: Business and industrial community alike have urged the governor of State Bank of Pakistan to cut policy rate for easy access to finance for the local industry and exporters who are facing new challenges and uncertain conditions.

President of Lasbela Chamber of Commerce and Industry (LCCI) Ismail Suttar said that following the twin shocks of COVID-19 and global oil price reduction, Pakistan's export-driven strategy had signaled for immediate backing by the State Bank of Pakistan in the form of a policy rate cut by as much as 3.5 to 4 percent from the current figure of 13.25.

Ismail said that the government's resolve to contain the spread of virus was commendable and foreign industries were now considering relocating to Pakistan due to it.

On behalf of the manufacturers, the president of LCCI said that incentives such as the cut in import duty on the required raw materials must continue unabated as it would ensure an economic stimulus.

He said the global oil price reduction comes as a mercy at a time when

the entire machinery has shifted gear on exploiting the optimum export potential. Ismail opined that a rational lowering of interest rate together with cheaper oil import shall raise future expectations of investors and serve as vantage point for Pakistan in steadily conquering the budding trade gap in GSP Plus backed markets of Europe.

Moreover, it would also make business climate more lucrative for foreign investment in the ongoing pandemic.

Economic & Financial Analyst, Ateeq Ur Rehman said that in the last Monetary Policy announcement they kept the interest rate unchanged at 13.25 percent which made access to finance difficult for the business community in general and for the SMEs and startups in particular.

He called for reduction in the interest rates of up to 7 percent to make access to finance for the local Industry easier.

He said for capitalizing the opportunities created by the impact of the coronavirus on global supply chain, Pakistan can only meet the global requirement when the interest rate is suitable for the industry and power tariffs are according to the capacity building.

He said that presently effective power houses like USA, UK, China, South Korea and Japan who controlled 65 percent of the manufacturing industry of the world were being in trouble whereas Pakistan still can meet the challenge and can grow its economy.

Value added industry and reduction on industrial raw material duties was the only survival for Pakistan's economy.

He suggested that under these circumstances there can be two segments of monetary policy for uplifting the local industry and revival of sick units.

"It could be lower interest rate for ease of business and easy access to finance."

Higher interest rates for business community will further complicate the situation. Two segments of a monetary policy will be a true roadmap for running the large scale industry and on the other hand attracting the investors whether it is FDI or portfolio investment or temporary investment by the carry traders.

Recent fall in petroleum prices is a greater relief for government to adjust the heavy shortfall of revenue, circular debt, inflation and current account deficit but without any respite to the common man. Both alterations in interest rates will help to a greater extent at this point in time and situation.

President of Pakistan Businessmen and Intellectuals Forum (PBIF), Mian Zahid Hussain, said the forthcoming monetary policy amid difficult global and local circumstances would test the skills of the central bank officials.

Mian Zahid Hussain said that the insistence of the business community has led Prime Minister Imran Khan and other top officials to promise a reduction in the interest rates.

He said that the business community had no patience for withstanding a strict monetary policy while on the other hand the SBP was facing new challenges.

He said that threats to the global financial system had prompted foreign investors to pull out their investment from developing countries in favour of low risk investments.

Pakistan had attracted a lot of hot money due to high interest rates but now 600 million dollars had been taken out by foreign investors during the first twelve days of the current month and it seemed that the trend would continue.

The decision of the foreign investors had resulted in instability, exchange rate volatility and reduction in foreign exchange reserves which emerged as a challenge for the central bank, he said.