

### **There was more space for reduction: economists**

ISLAMABAD: The 100 basis points reduction in the discount rate is not enough in view of the prevailing economic situation where it is critical to revive economic activity in the country struggling with the pandemic.

This was the consensus amongst economists and businesses as well as exporters, while taking to Business Recorder. The SBP announced 100 basis points reduction in policy rate and former adviser to finance ministry Dr Ashfaq Hassan Khan and former finance minister Punjab Aisha Ghaus Pasha stated that there was more space for reduction in policy rate.

Khan said that direction of monetary policy is right but speed is slow. He said he was expecting 150 basis points reduction in this monetary policy statement and another 150 basis points in July to bring the policy rate down to 6 percent.

Aisha Ghaus Pasha said that there was need to reduce the policy rate to 7 percent adding that there was space to slash it by another percentage point revive economic activities badly affected by the coronavirus and subsequent to the lockdown in the country.

The economy is in really bad shape and credit to private sector is not picking up and in fact there was a decline of Rs 22 billion credit to the private sector in the last few months, she added.

She said that this was worrisome and reflects that credit to the private sector was not picking up despite government announcement to provide loans to those small and medium enterprises (SMEs) at low interest rate that do not lay off their workers. Export-oriented sectors and business community has termed the 100 basis points reduction in policy rate inadequate and too little to mitigate the impact of the Coronavirus challenge and domestic ground realities. They said the pandemic and subsequent lockdown badly affected businesses and economy and there was need of 400 bps reduction in policy rate to give some stimulus to the economy. The 100 bps cut will not serve the purpose of fuelling exports and productive activity, they added. Chairman Council of Textile Association (CTA), Zubair Motiwala said that the nominal cut of one percent in policy rate is of no help to industry, which is already facing liquidity crunch due to non release of refunds. Due to COVID-19 the country's exports are expected to contract by 40 percent as per initial estimates, said Motiwala, adding that as global demand declines leading to tough competition in regional countries, the government needs to reduce the input cost so that industry can compete with regional competitors.

All Pakistan Textile Mills Association (APTMA) also termed the 100 bps cut in interest rate as too little. Shahid Sattar, Executive Director APTMA said that the interest rate should have been cut by 200 bps in line with inflation and interest rates in competing countries.

Chairman Pakistan Readymade Garments and Manufacturers and Exporters Association (PRGMA) Ijaz Khokhar said that reducing the interest rate is a good decision which would help big industries and not the Small and Medium Enterprises (SMEs). The policy rate should have been reduced to be in the range of 3-4 percent to help the SMEs, he added. The 12th All Pakistan Chambers Presidents' conference also recommended 4-5 percent reduction in the interest rate.