

Traders reject status quo in monetary policy

LAHORE: Businessmen have termed the current policy rate of 7% unimpressive amid the looming threat of lockdown following the second wave of Covid-19 pandemic in the country.

Talking to a trade delegation on Thursday, Federation of Pakistan Chambers of Commerce and Industry President Mian Anjum Nisar said the status quo in monetary policy announced by the State Bank of Pakistan earlier in the current week was not understandable.

He argued that the central bank expressed satisfaction and projected a decline in inflation rate and rise in economic growth, citing that risks to the outlook on both inflation and growth appeared balanced.

Nisar termed the recent reduction in electricity tariff for small and medium enterprises a first step towards decline in production cost.

According to him, the second and vital step will be the reduction in policy rate in line with the regional trend with a view to providing a level playing field, especially to the export industry.

"The decision will benefit the domestic industry as it has been facing tough competition from cheaper imported merchandise following free trade agreements with different countries, including China," he added.

"The chamber appreciates the central bank for earlier reducing the policy rate to 7% and taking several other measures in terms of fiscal, monetary and credit stimulus, however, we suggest to the monetary policy committee to reduce the interest rate to 5%," he said.

"This way, industrial production, which has been showing signs of recovery, will be encouraged further."