

SBP chief discusses Covid fallout

An ongoing dialogue between the policymakers and business community on the economic measures and their effectiveness is key to combat the prevalent domestic as well as global economic challenges, said State Bank of Pakistan (SBP) Governor Reza Baqir.

Addressing the business community, during his visit to the Sialkot Chamber of Commerce and Industry (SCCI) on Saturday, he said that the effects of Covid-19 have taken a heavy toll on economies all over the world and Pakistan is no exception.

Elaborating on the proactive steps taken by the central bank since the onset of the Covid-19 pandemic in March 2020, Baqir detailed that the overall objective of these measures was to minimise the negative fallout of the slowdown in the economy on businesses and employment in the country.

“Overall, the measures were aimed at ensuring increased and affordable financing to the businesses to help them manage cash flows and financial costs effectively,” he said.

In this regard, he pointed out that the SBP reduced the policy rate from 13.25% to 7% in a very short span of time, adding that it was historically unprecedented.

The SBP governor shared details of deferment of principle amount and restructuring of loans package to facilitate the borrowers in a bid to preserve their solvency and enable them to combat temporary economic disruptions.

Citing figures, he said over 1.5 million borrowers benefitted from this scheme with over Rs655 billion worth of loans deferred and borrowing worth Rs200 billion restructured. Another major step initiated by SBP to offset the sudden impact of economic shock was to prevent the layoff of workers.

“SBP introduced the Rozgar scheme which aimed to prevent layoff of workers by financing wages and salaries of all kinds of employees for private sector businesses,” he said. “Almost 3,000 businesses availed this scheme and got Rs237 billion in refinancing while benefitting over 1.6 million employees or workers.” He contended that in the backdrop of Covid-19, SBP provided a number of relaxations under Export Finance Scheme (EFS) and Long Term Finance Facility (LTFF).

Moving on to the current economic measures taken by the government and SBP, Baqir highlighted several schemes introduced to promote quick recovery of the economy and generate employment for the masses.

These included the promotion of housing and construction activities in the country, Kamyab Jawan Youth Entrepreneurship Scheme (YES) and Temporary Economic Refinance Facility (TERF) for setting up of new businesses or modernisation and expansion of existing enterprises.

He explained that housing and construction sector was a priority segment for the government due to its widespread economic impact and potential for job creation.

"In line with its vision of providing affordable housing to the masses, the government of Pakistan will be providing a mark-up subsidy facility for the construction and purchase of new houses," he said. "This facility will allow all individuals, who will be constructing or buying a new house for the first time, to avail bank's financing at subsidised and affordable mark-up rates."

Apart from creating incentives for banks to indulge in housing finance, the central bank has also assigned them mandatory targets aimed at extending mortgage loans and financing for developers and builders to ensure consistent flow of financing over time.

Describing the salient features of Kamyab Jawan Youth Entrepreneurship Scheme (YES), Baqir added that financing was available under three tiers.

He reaffirmed that SBP was making efforts to maintain close interaction with banks regarding their performance under the scheme.

He was optimistic that the Youth Entrepreneurship Scheme will create new jobs through small and medium enterprises sector and hoped that it would be instrumental in government's efforts of providing jobs in the country.

Highlighting measure taken by the central bank to safeguard the future production potential of the economy, he said Temporary Economic Refinance Facility (TERF) received tremendous response and as of October 29, 2020, financing of Rs157 billion for 203 projects had been approved by banks under the scheme.

Responding to the chamber's recommendation to simplify the mechanism for drawback of local taxes and levy (DLTL), the SBP governor noted that the existing draw back schemes have already been simplified and the data of claims submitted through email was now electronically processed.