BUSINESS RECORDER
Founded by M.A. Zuberi

SBP advised to avoid 'contractionary' monetary policy

Page No.07 Col No.02

KARACHI: Senior Vice President (SVP) & Chairman Budget Advisory Council of the Federation of Pakistan Chambers of Commerce & Industry (FPCCI), Syed Mazhar Ali Nasir referring to the raise in policy rate by 100 basis points (bps) to 7.50 percent per annum w.e.f 16th July 2018 has urged the Governor State Bank of Pakistan (SBP) Tariq Bajwa to avoid contractionary monetary policy at this stage and ease it to control adverse effects of recession and sustaining the overall growth momentum.

He argued that the upward revision in lending rate would translate in multiplying high inflation and increasing the cost of production that would further paralyse the already numb industries. The SVP of FPCCI added that the State Bank move would hit hard the overall economy as the availability of money to the business community would be more expensive now after jump in the discount rate.

The SVP of FPCCI added, "Increasing the policy rate to 7.5 percent is not appropriate at this time when foreign competitors are coming to Pakistan with low interest rate in their respective countries particularly in the backdrop of CPEC. Moreover, rising trend in interest rate will discourage local investors to participate in various mega projects."

Syed Mazhar Ali Nasir further stated that revival in the growth of industry and services is essential to sustain economic growth which is after many years is showing increasing trend. The SVP of FPCCI reiterated FPCCI stance that increase in inflation is mainly due to recently rising prices of POL products locally coupled with devaluation of Pak rupees.

The SVP of FPCCI expressing fears of skyrocketing inflation in the wake of continuing rupee devaluation against the dollar has termed it extremely disastrous for the economy as recent exorbitant devaluation of rupee (5 percent) would open flood gate of inflation for the masses. He elaborated that Pakistan being an import based economy is compelled to buy most of the inputs including dyes, chemicals, parts, POL etc., and as such the rupee value fall would give a sharp rise to their prices and would result in increase in cost of production and exports.—PR