



## External Relations Department

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### **SBP allows import advance payment facility for manufacturers against LCs**

State Bank of Pakistan (SBP) has allowed banks to make advance payment up to 50 per cent of the value of imports against letter of credit for manufacturing concerns. Using this facility, manufacturing concerns will be able to import plant, machinery, spare parts and raw material etc. by making payment in advance.

Earlier in July 2018, in light of the pressures in the foreign exchange market and deteriorating balance of payments situation, SBP withdrew the advance payment facility allowed to importers. Subsequently, some of the restrictions were relaxed to facilitate imports in critical areas related to medicines, education and defense while most of the restrictions remained in place.

After the implementation of a market based exchange rate system in May 2019, pressures in the foreign exchange market have eased and the balance of payments has witnessed significant improvement as reflected in the improving current account balance, rising net foreign exchange reserves, and other indicators. This improvement in the foreign exchange market after the implementation of the exchange rate reforms has allowed to SBP to begin relaxing the restrictions that had been imposed earlier. In November 2019, SBP allowed advance payment up to USD 10,000 per invoice for import of raw materials and spare parts to manufacturing concerns for their own use only. At that time SBP also eased restrictions on acquisition of services from abroad, such as consultancies. The measure taken today will support the manufacturing sector by easing restrictions on import of plant, machinery, spare parts and raw material, and related items. Today's measure is in continuation of SBP's efforts to reverse the earlier restrictions and facilitate and support ease of doing business in light of the improved foreign exchange and economic outlook.

The circular issued to banks with regards to the latest instructions is available at:

<http://www.sbp.org.pk/epd/2019/FECL18.htm>

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