

This is the right time to invest in Pakistan: SBP chief

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KARACHI: “The private sector is the only channel that can achieve a higher growth rate in the medium term, a growth truly compatible with the demographic changes the country is going through. In current times, the energy shortages are being worked on. LNG imports and CPEC-related power projects are being sufficiently planned for smooth execution and returns on investments are high,” shared Ashraf Mahmood Wathra, Governor State Bank of Pakistan, while addressing the topic “Role of the Private Sector in Economic Growth of Pakistan” at the ‘Breakfast with Jang’ at a local hotel. “Pakistan is vibrant right now and this is the right time to invest in this country.”

Breakfast with Jang was organised by the Jang Media Group with the support of JS Bank, and was attended by finance experts, bankers, journalists, lawyers, academicians and a number of other people from various fields of life so that the topic could be discussed in an informal session.

The State Bank of Pakistan chief highlighted that he had cut the policy rate by 425 basis points since June 2013 and almost a similar cut had been observed in the cost of retail. Finally, the domestic demand is strong and retail business is thriving. Currently, the potential investable resources with corporate sector are Rs3.7 trillion, which is more than double the Public Sector Development Programme (PSDP) allocation for the year 2017.

Besides, capital banks, investment companies have also proved to be an important source of funding for the corporate sectors. Pakistan Stock Exchange has constantly been noticed as the top-most market in Asia over the last five years.

According to the recent report of SBP, banks have over 90 percent of the total investments in government papers while foreign banks have upto 100 percent, so isn't there be a cap to it to make room for private sector? To answer this, the governor stated that there is a demand side and there is a supply side. The banks have invested in government papers and if they see there is more demand in private sector financing they can switch or swap their portfolio. They can, at any point of time, give any part of their government securities and move to private sector but the private sector credit should be in demand. The banks are urged to increase the private sector credit.

In fact, until June this year the net expansion in private sector credit is Rs332 million, which was 8.3% vis-a-vis increase to the last year's Rs178 million.

The importance of SMEs was also discussed claiming it to be the backbone of economy. In Pakistan, SMEs have gone through a rough patch in the past, especially from 2003 onwards to 2013. “There are two major portions of it, Karachi and some parts of Punjab. In Karachi, we had electricity and gas but there were security concerns so a lot of businesses were shut down and people moved out of the country, defaulting on their loans. While, in Punjab encompassing Faisalabad, Lahore, Gujranwala, Sialkot, they had

extensive loadshedding and gas outages, which forced them to close down,” stated Mr. Wathra. “However, in the past couple of years, they are coming back as conditions of electricity, gas and law and order has improved. The SMEs total borrowing was Rs150 billion in 2011, which has gone up to Rs284 billion, the most of which was in 2014-15.” Talking about investments, the penetration in universities remain a point of discussion too as there are research students with products ready in hand but there are no investors to show faith in them.

Though it is not under the State Bank’s domain yet the governor requested the investors and the government to touch upon this issue as our youngsters are our future and there is immense talent in Pakistan. Moreover, the State Bank has merit based study loans for deserving and outstanding students of the country.

Wathra emphasised that the State Bank has formulated a policy to create an enabling environment and friendly regulations for private business, helping them introduce technology and upgrade themselves to compete with the international market as private sector is the driving force of economic development of Pakistan.

“After all, the 1.7 million youth of our country can’t rely on just the government for jobs and it is the private sector that is playing its part in providing employment opportunities too.”

Corrigendum

Apropos the news item "This is the right time to invest in Pakistan: SBP chief" published in The News on July 18, 2016, it is clarified that the net credit expansion to the private sector during FY16 (up till 24th June) was Rs332 billion as compared with Rs 179 billion in the corresponding period of FY15 (up till 26th June). This shows a year-on-year growth of 8.5 percent.