

Following clarification/rebuttal was issued to Daily Times in response to an Editorial published on December 26, 2020 entitled “Low interest rate environment”.

This is with reference to your editorial, titled ‘Low interest rate environment,’ published on 26 December 2020. We would like to mention that the observations made with respect to State Bank of Pakistan (SBP), in general, and Governor Dr. Reza Baqir in particular do not reflect ground realities.

In fact, during the meeting of the Monetary and Fiscal Coordination Board (MFCB), referred to in your editorial, Governor Baqir presented the viewpoint of SBP on all the relevant issues thoroughly and without any prejudice, including the state of the economy and the monetary policy stance. It is unfortunate that your editorial should have chosen to cast doubt on SBP’s role during the meeting based on general media reports and hearsay. Neither did your paper contact the SBP to seek any clarification on what was said by the SBP in the meeting of the MFCB. More generally, SBP finds itself duty bound in expressing its views on all economic issues falling under its mandate, wherever and whenever needed.

SBP has always been communicating its views on the state of the economy, including on monetary policy, through different avenues, including its flagship annual and quarterly reports; monetary policy statements and subsequent interactions with analysts and the business community; speeches of the Governor, press releases and social media posts. SBP maintains a high degree of transparency in its communications whereby all information made public and views expressed are available on its website: www.sbp.org.pk. Specifically with regard to monetary policy, you may find the Monetary Policy Statements and minutes of the meetings of the Monetary Policy Committee at (https://www.sbp.org.pk/m_policy/mp-comm.asp). More recently, SBP has been very actively disseminating information on the impact of the Covid-19 pandemic and measures taken to mitigate these (<https://www.sbp.org.pk/COVID/indexdemo.html>). Not only did SBP take timely measures that were appreciated by businesses and investors, it disseminated them in a timely fashion with the help of both the electronic and print media, in addition to its official social media platforms.

While the views expressed about SBP in your editorial may appear to have good intentions, unfortunately they mischaracterize ground realities and can potentially misguide the reader about SBP’s stature and intent. A fairer and more objective expression of views about SBP would strengthen perceptions about the institution among the public. We expect that abiding by the high standards of journalism your newspaper would publish our viewpoint with the same prominence as that of the captioned editorial.

Following article published in Daily Times, Karachi on December 26, 2020

Low interest rate environment
Daily Times/Editorial
DECEMBER 26, 2020

It’s not surprising at all that the Monetary and Fiscal Policies Coordination Board (MFPCB) has voted overwhelmingly in support of continuing the low interest rate environment. The pandemic has pushed interest rates into the ground practically all over the world in a desperate attempt to keep credit markets solvent as countries move from one lockdown to another. In fact Pakistan’s benchmark policy rate, at

seven percent, is still much higher than other countries in the region and beyond. That explains why the ministry of planning and development advocated further reduction, even though the finance ministry apparently sees things differently and wants the present rate to be maintained in January. That could be because it interacts more directly with the International Monetary Fund (IMF) and knows how eventually we will have to comply with its austerity measures which demand a high interest rate.

It is also encouraging that Large Scale Manufacturing is picking up and authorities are very right in trying to stimulate export oriented industries as best they can considering how desperate we are to increase our revenue. But at this time it is also extremely important to give more breathing space to small and medium industries since they are among the first to fold during the kind of contraction that we, like most other countries, are experiencing right now. And since the government is very serious about providing stimuli and subsidies to a select group of industries in an attempt to jack up production and exports, it should also give SMEs and startups much more attention than it has done so far.

Interestingly, State Bank Governor Dr Reza Baqir didn't speak much during the deliberations of the MFPCB. The press has so far taken this as a dignified silence, considering the independence of the central bank and all that, but why would such concerns keep him from commenting on the state of the economy especially when his institution's impact on it is being discussed? For the world's most independent and credible central banks routinely issue statements that give businesses and investors a feel of the direction to come. They don't spell out exactly what they are going to do or even considering, of course, but there's enough to provide an outline of the thinking. The state bank should also adopt such practices. *