

5th December, 2006

STATE BANK'S INITIATIVES FOR THE PROMOTION OF EXPORTS

In an effort to support the country's major export sector, SBP has been implementing few incentives to the sector offered both by SBP and the Government. This has involved reduction in refinance rates under Export Finance Scheme (EFS), debt swap option under rates and the Long Term Finance Scheme for Export Oriented Projects (LTF-EOP), and Research & Development support. The initiatives have significant industry wide implications for sustaining export momentum with the following encouraging results:

- (i) Export refinance of Rs 137.91 billion was released to banks during the period July 01, 2006 to 18th November 2006 as against Rs 120 billion released during the same period last year. Refinance under EFS is being offered at 6.5% i.e., 4-4.5% below 6-month KIBOR and has so far resulted in a positive impact of Rs. 1.07 billion during July-November 2006 for the export sector.
- (ii) Pursuant to the announcement of the debt swap option under LTF-EOP, SBP has provided refinance of about Rs 13.86 billion through commercial banks against 107 cases to the value added Textile industry in particular and six sub sectors of the spinning sector in general. Over & above this, the industry has availed Rs 8.40 billion under the Scheme for new projects. In aggregate, so far, more than Rs. 22 billion refinance has been released under this scheme to commercial banks, since its inception to 2nd December 2006.
- (iii) Under Research and Development Support (R&D) scheme, all offices of SBP BSC across the country have cumulatively released Rs 8.8 billion and cleared about 79,000 cases since July 2005. During July-October 2006 alone they processed 20,170 cases involving release of approx. Rs 2.7 billion.

With the above incentives, the industry was expected to rationalize its cost structure and consequently increase exports. However, it is disappointing to note that exports of the sector have shown negative growth for the current fiscal year (Jul-Oct 2006) as compared to an increase of 30% during the corresponding period last year.
