

*3<sup>d</sup> December, 2007*

**Private Sector Credit Disbursement**  
**in line with long term trends and is likely to pick-up further in**  
**second-half of FY08: Dr Akhtar**

Dr Shamshad Akhtar, Governor, State Bank of Pakistan said today the disbursement of credit to the private sector has gained momentum significantly in October-November, 2007 and is likely to pick up further in the second-half of the current fiscal year 2007-08.

She made these observations while chairing the second meeting of the Private Sector Credit Advisory Council held at State Bank of Pakistan, Karachi this morning. The meeting dwelt at length on recent trends and issues relating to availability of credit to the private sector and discussed ways and means to enhance credit disbursement to key sectors of the economy.

Dr Akhtar said the growth in private sector credit was broadly in line with last two years' comparable period growth, and expanded by Rs 103.1 billion in the period from July 1, 2007 to November 24, 2007. Private sector credit growth in FY07-08 mainly reflects convergence to its long-term trend, relative to the surge observed in FY05-06 due to several years of pent up demand and need for investments in BMR by the industry.

The Governor stressed that in FY07, the credit growth supported effectively the growth in real economic activity. It is expected that private sector credit disbursement this year will continue to support economic growth as SBP has continued to efficiently managed liquidity.

“Private sector credit is expected to pick up in second half of FY08 as investors launch the pending projects and various IPP (Independent Power Producers) projects are also in pipeline involving investment of around Rs100-120 billion,” the Governor added.

There was a general agreement that the private sector credit has been impacted, among others by (i) banks adopting cautious lending stance given the experience with loan defaults in some sectors; and (ii) mergers and acquisitions

have required banks to focus on restructuring, while adjusting their portfolios and rationalizing their branch network. However, banks after their restructuring and upgradation of their credit policies and risk management systems are expected to be positioned better for credit delivery in the coming years.

During the meeting, relevant Directors of the State Bank made detailed presentations on Agricultural Finance, SMEs Finance, Consumer Finance, Infrastructure & Housing Finance, Microfinance and Islamic Banking Finance to point out issues/constraints in the growth of credit in respective areas and initiatives taken by the State Bank to resolves these issues.

While concluding a comprehensive discussion on above-mentioned subjects, Governor has set up a Task Force for the development of Mortgage Financing and a task force to devise a mechanism for rating of SMEs.

The meeting was attended, among others, by senior officials of State Bank, Presidents of selected banks, representatives of Pakistan Banks' Association, Federation of Pakistan Chambers of Commerce and Industry and other trade bodies and government officials.

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