

Trade & Industry Hail SBP's Policy Initiatives

The representatives of trade and industry have generally appreciated the policy measures announced by Dr Shamshad Akhtar, Governor State Bank of Pakistan yesterday.

During a meeting with Dr Akhtar today at the State Bank of Pakistan, trade and industry representatives hailed the provision of 100% refinancing to banks against export finance provided by them to exporters both under Part I & II of the Export Finance Scheme and Long Term Financing Facility (LTFF) for Plant & Machinery to promote real investment in the country. They also appreciated the initiative of the SBP to have a combined meeting of stakeholders from banking and industry. However, some of the businessmen opined that the rise in discount rate may hurt the local industry.

Dr Akhtar explained the move was necessitated because the country's economic indicators have come under stress due to the impact of global commodity price hikes combined with a persistent rise in aggregate demand pressures. Both factors have resulted in rising fiscal and external account deficits during FY08 beyond sustainable levels, she said and added that these trends generated inflationary pressures.

Representatives of the trade bodies also made some suggestions for revival of the economy and removing bottlenecks in the flow of credit to various sectors of the economy. SBP Governor assured the participants that every effort will be made to meet the credit needs of productive sectors for growth of the economy. Going forward, State Bank will also further strengthen its mechanism for monitoring liquidity requirements and will take appropriate actions to meet multiple demands of financing.

Regarding procedural issues relating to refinance scheme, Dr Akhtar said that she has constituted a committee comprising of the representatives of SBP and Pakistan Banks' Association (PBA) to make recommendations in this regard. The Governor advised bankers not to indulge in driving interest rates and exchange rate based on mere sentiments and rumors. Further, bankers should also take necessary measures to arrest the declining growth of deposits.

A representative of the PBA explained to the participants about the mechanism through which Karachi Interbank Offered Rates (KIBOR) are set every day.

The representatives of the banking industry reiterated the view of the Governor that there are demands of credit from all the sectors and they will support the industry for its revival and meet their credit needs particularly of productive sectors within manageable risks.

The meeting was attended by the representatives of trade bodies/exporters associations and chief executives of banks. The participants from trade / industry included FPCCI, Karachi Chamber of Commerce & Industry, Overseas Chamber of Commerce & Industry and the representatives of various exporters' associations representing textile, rice, hosiery, towel, bed wear and readymade garments sectors.
