



External Relations Department

ERD/M&PRD/PR/01/2017-85

September 8, 2017

Broad based and robust growth witnessed in advances to private sector, says QPR of the Banking Sector

The Quarterly Performance Review (QPR) of the Banking Sector for the quarter ended 30th June, 2017, has been released by SBP today. As highlighted by the report, the key development of the quarter is broad based and robust growth in advances to private sector which is also the prime reason behind 8.3 percent growth in the asset base.

The gross advances (domestic) to private sector have increased by 6.1 percent in comparison to 4.0 percent growth recorded in the corresponding period of last year. Besides seasonal financing need for commodity procurement, the financing demand has come from various sectors including chemical/pharmaceutical, production and transmission of energy, agribusiness, food and allied products, construction, transport, storage etc. Moreover, the continued growth in auto financing has pushed consumer financing up. The surge in advances may be attributed to enabling macroeconomic conditions such as monetary easing which has lowered the cost of borrowing and positive feedback from the real economy – particularly the consistent activity in large scale manufacturing.

The asset quality of the banking sector has improved further as Gross Non Performing Loans (NPLs) ratio has moved down to 9.3 percent as of end June 2017 from 9.9 percent as of end March 2017 (and 11.1 percent as of end June, 2016).

Investments have increased by 5.6 percent and Government papers remain the prime attraction. There is a change in investment pattern, though, as banks have mostly invested in short-term MTBs. Continuous rise in investment in Government securities has further strengthened the already comfortable liquidity position of the banking system.

The deposit base of the banking sector has moved up by 6.5 percent, slightly lesser than 6.8 percent in Q2CY16. The deceleration in deposit growth is mainly caused by dip in financial institutions' deposit – which are transitory in nature. On the other hand, the customer deposits – relatively more stable funding source and comprising 96.5 percent share in overall deposit base – has surged by 7.7 percent; higher than 6.0 percent during the corresponding period last year.

Banking sector has earned profit (before tax) of PKR 150.4 billion with strong ROA of 1.8 percent and ROE of 21.9 percent. Encouragingly, interest earnings (Year-to-date) have increased by 1.0 percent in Q2CY17 (against 8.6 percent decline during the same period last year) on account of income on advances.



External Relations Department

Capital Adequacy Ratio of the banking sector at 15.6 percent is well above the minimum required level of 10.65 percent and advocates that banks have enough buffers to meet additional financing of the market.

The report is accessible at URL: http://www.sbp.org.pk/publications/q_reviews/2017/Apr-Jun.pdf

XXXXXX