



State Bank of Pakistan

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SBP Governor meets Pakistan Business Council, highlights positive in the economy

Governor SBP, Mr. Tariq Bajwa has said that recovery in exports that started in the second half of FY17 and continued in the current fiscal year bodes well for country's economy. "Exports have shown positive growth during the last six months", he elaborated adding, "In fact, during the last three months, exports have grown by 13.2 percent, which shows that the decline in exports seems to have finally reversed".

He was addressing to a delegation of Pakistan Business Council that called on him and the senior management at SBP headquarters today.

Governor SBP said the data of first two months of the current year points to recovery in key external indicators, particularly remittances, exports and FDI. "Workers' remittances grew by 13.2 percent to US\$ 3.5 billion in Jul-Aug 2017 and inflows from all major corridors were higher as compared to Jul-Aug 2016.

Mr. Bajwa elaborated that the country's economy is increasingly becoming attractive for investment with continuation of supportive economic policies. "I believe at this juncture, it offers a lot of opportunities for businesses to grow and expand", he said.

The Governor said that the pace of expansion in the economy accelerated for the third consecutive year in FY17 amid improving security situation and better energy supply. It grew by 5.3 percent in FY17, compared to 4.6 percent last year. The growth was not only the highest during last ten years but also broad-based. All the three major sectors – agriculture, industry, and services – contributed to acceleration in growth.

Mr. Bajwa pointed out that the accommodative monetary policy has played a key role in providing boost to private sector credit demand. Policy Rate has come down from 10 percent in October 2014 to only 5.75 percent. Historic low interest rates were instrumental in taking the private credit growth of 16.8 percent in FY17, over and above 11.2 percent a year ago.

The overall expansion in private credit stood at Rs 747.9 billion during FY17. "Remarkably", said the Governor, "About 40 percent of the expansion in credit was meant for fixed investment". On the supply side, a healthy deposit growth improved the liquidity of the banking system.

The latest data shows the trends in private sector are continuing in FY18. A much lower net retirement in private sector credit of Rs 75.5 billion from July 1st to September 1st 2017



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compared to a net retirement of Rs 224.3 billion in the corresponding period last year indicates that private sector has borrowed more credit during FY18 so far. This with a robust growth of 40% in import of machinery group in 2016-17 augurs well for future growth.

“In terms of agriculture”, said the Governor, “We are a low productivity economy and SBP is doing whatever it takes to improve that”. Availability of credit is one aspect. Government had set a target of Rs.1001 m but that was a broad target. Though the last year target was largely met, but the number of borrowers has actually gone down. It implies that the money was going towards processing but it was not going towards production. The Governor said that agriculture sector is now specifically focused with availability of pesticides and fertilizers. The Governor said that the SBP is also contacting private sector for agricultural extension services in order to boost productivity.

Prior to Governor’s address, Mr. Ehsan Malik, Chief Executive Officer, Pakistan Business Council spoke on contribution of members of the council which includes 24 of the largest multinational corporations from 12 foreign countries. Mr. Malik informed the participants that listed market value of the member companies has reached Rs8.4 trillion and that in addition to contributing to Pakistan’s GDP, exports and taxes significantly, these companies provide 400,000 direct jobs and 2.0 million indirect jobs.

Mr. Malik stressed that Pakistan Business Council advocates national consensus around a “Priority Pakistan” approach as the member companies are involved in manufacturing and services sector. The delegation apprised the Governor issues being faced by the business community. The Governor keenly listened to their issues and ensured their timely resolution.

In the end, the Governor reiterated that economic conditions in the country continue to remain favorable and offer unique opportunity for businesses to grow and expand and take their role by participating as an economic agent to serve our country in its best interest.