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SBP Imposes 100% Cash Margin Requirement on Import of additional 114 Items

The State Bank of Pakistan (SBP) has decided to impose 100% Cash Margin Requirements (CMR) on import of 114 items, taking the total number of items subject to Cash Margin to 525. The measure will help discourage imports of these items and thus support the balance-of-payments. This is the second step taken in recent days, in this regard. Earlier, SBP revised prudential regulations for Consumer Financing prohibiting financing for imported vehicles.

Cash margins are the amount of money an importer has to deposit with its bank for initiating an import transaction, such as opening a letter of credit (LC), which could be up to the total value of import. Cash margins essentially increase the cost of imports in terms of the opportunity cost of amount deposited and thus discourage imports.

It would be pertinent to mention here that 100% cash margin requirement was initially imposed, in 2017, on 404 items to discourage the import of largely non-essential and consumer goods. The list was further expanded in 2018. However, in order to enable businesses to absorb the shocks of COVID19 pandemic, SBP provided relief by removing CMR on 116 items.

With economic growth having recovered and gaining momentum, SBP has decided to adjust its policy by imposing Cash Margin Requirement on additional 114 import items. This will complement SBP's other policy measures to ease the pressure of import bill and help to contain the current account deficit at sustainable levels.

For details see: https://www.sbp.org.pk/bprd/2021/CL30.htm

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