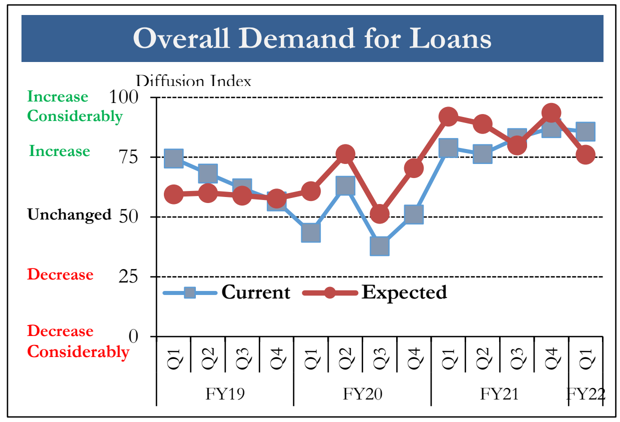
State Bank of Pakistan's Bank Lending Survey – Q1-FY22

This wave of Bank Lending Survey (BLS) was conducted during October 1-8, 2021, which was participated by 49 senior officers from commercial and specialized banks.

Overall Demand for Credit

According to the opinions of bank officials in the first wave of the BLS Survey of FY22, the overall current demand for loans in Q1-FY22 remained very strong over the same quarter of FY21. However, respondents expect a decline in overall demand for loans in the next quarter.

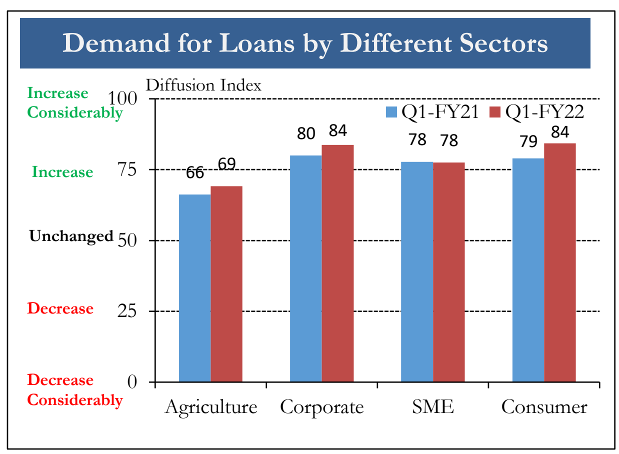


The main factors that positively affected the overall credit demand in Q1-FY22 were inventories & working capital, fixed investment needs, seasonal effect and security & economic conditions. However, respondents think that the impact of September 2021 monetary policy decision, 25 bps rise in policy rate, stood neutral on overall credit demand in the quarter under discussion.

Factors affecting overall demand for loans
Diffusion Index: (Value>50 indicates the factor is contributing to increase in demand and vice versa)

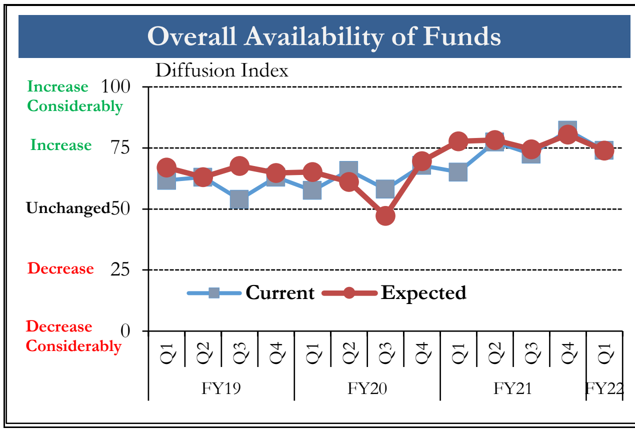
	Q1-FY21	Q1-FY22
Inventories and working capital	74.4	76.1
Fixed investment needs	66.3	70.5
Monetary policy	83.8	50.0
Seasonal effect	58.3	60.0
Security conditions	53.7	55.4
Economic conditions	41.7	55.6

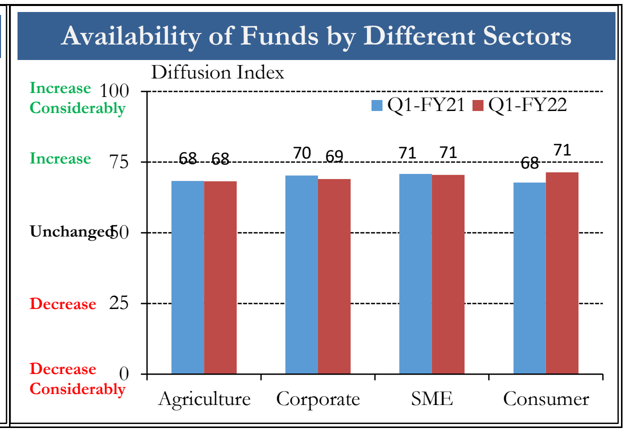
Overall increase in the demand for loans contributed by almost all the sectors in Q1-FY22. Credit demand by consumers, corporate and agriculture sectors showed increase while demand for loans by SME sector almost remained same in Q1-FY22 compared to the corresponding quarter in preceding year.



Overall Availability of Funds

When compared to Q1-FY21, the overall availability of funds continued to expand in the first quarter of FY22. However, it slightly declined over previous quarter and respondents expect further decline in availability of funds in the next quarter as well.





The availability of funds in first quarter of FY22 witnessed varied behavior by different sectors. Availability of credit for consumers inched up while that for corporate sector declined slightly in the quarter under review. However, SME and agriculture sectors remained unchanged over corresponding quarter last year.

The factors positively affecting the overall availability of funds were volume of deposits, bank liquidity position and competition with other banks. On the other hand, non-performing loans, economic condition, and government borrowing had a negative impact on the overall availability of funds.

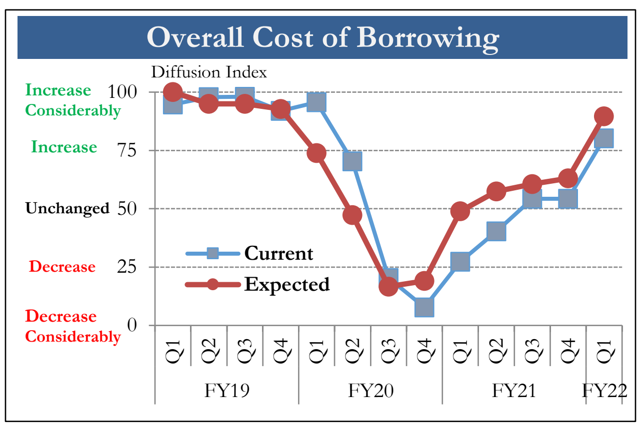
Factors affecting overall availability of funds for loans

Diffusion Index: (Value>50 indicates the factor is contributing to increase in availability of funds and vice versa)

	Q1-FY21	Q1-FY22
Volume of deposits	73.2	69.6
NPLs	37.2	34.8
Competition	53.8	53.3
MP decisions	78.8	50.0
Bank liquidity position	65.1	64.9
Government borrowing	50.0	45.3
Economic conditions	43.8	48.9

Overall Cost of Borrowing

Overall cost of borrowing (current as well as expected) continued the upward trend since 4th quarter of FY20. The overall current cost of borrowing witnessed sharp increase in Q1-FY22 over Q1-FY21. Furthermore, respondents expect this increase to continue in the next quarter as well.



Banking Lending Survey (BLS) Notes

1. Computation of the Diffusion Index

Let,

A = Number of respondents giving positive view in response to our question about some aspect

B = Number of respondents giving negative view in response to our question about some aspect

Then, the diffusion index can be computed as:

$$\text{Net Response (NR)} = \frac{(A-B)}{Total\ Respondents} * 100$$

$$\text{Diffusion Index (DI)} = \frac{(NR+100)}{2}$$

2. How to interpret the index?

The survey results are presented in Diffusion Index (DI) format which varies between 0 and 100.

The DI can be interpreted as follows:

DI < 50 indicates credit contraction/reduction in availability of funds/decline in the borrowing cost;

DI = 50 indicates unchanged credit growth/availability of funds/cost of borrowing;

DI > 50 indicates credit expansion/increase in availability of funds/increase in the borrowing cost.