

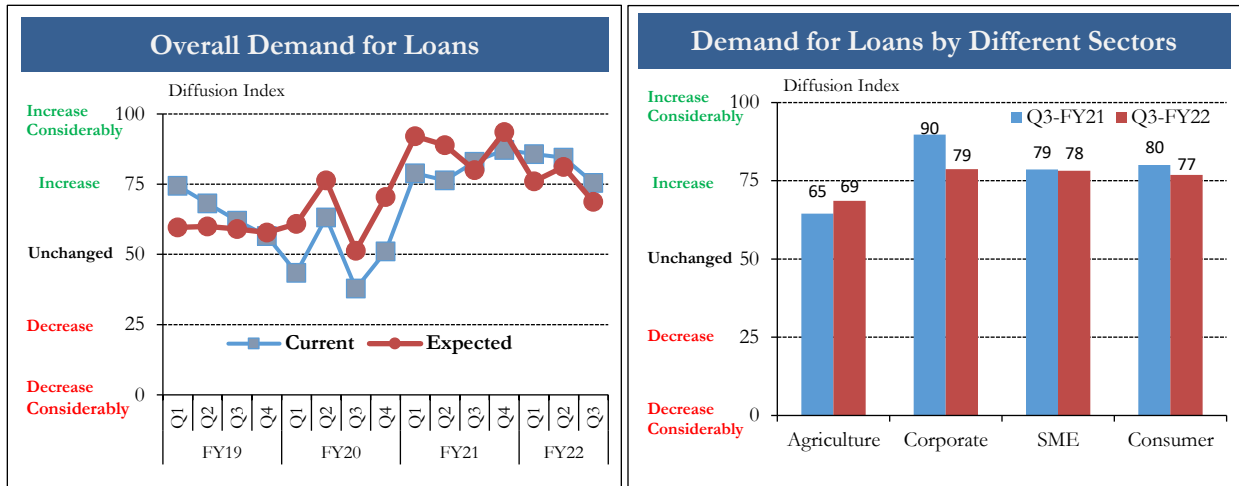
State Bank of Pakistan’s Bank Lending Survey – Q3-FY22

The current wave of Bank Lending Survey (BLS) was conducted during April 1-8, 2022, participated by 57 senior officers from commercial and specialized banks.

Overall Demand for Credit

According to the opinions of bank officials in the third wave of the BLS of FY22, the overall demand for loans in Q3-FY22 decreased as compared to last quarter. It also showed a decline over the same quarter of FY21. In addition, respondents expect further decline in overall demand for loans for the next quarter.

Overall decrease in the demand for loans mainly contributed by three sectors in Q3-FY22 over same quarter last year; credit demand by corporate, SME and consumer sectors showed decrease in demand for credit while agriculture sector inched up over Q3-FY21.

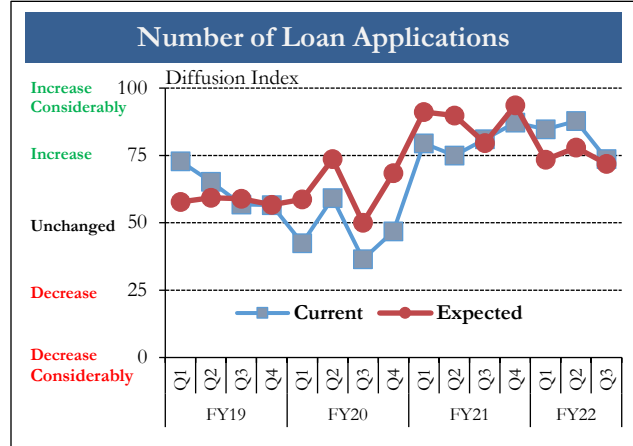


There are various factors affecting overall credit demand. The factors that showed a decline in Q3-FY22 over corresponding quarter in last year were fixed investment needs, security & economic conditions and monetary policy decision. On the other hand, inventories & working capital and seasonal effect showed an increase over Q3-FY21.

Factors affecting overall demand for loans		
Diffusion Index: (Value>50 indicates the factor is contributing to increase in demand and vice versa)		
	Q3-FY21	Q3-FY22
Inventories and working capital	73.9	80.9
Fixed investment needs	73.8	64.2
Monetary policy	61.7	36.6
Seasonal effect	53.2	55.5
Security conditions	53.3	52.7
Economic conditions	59.6	47.4

Number of Loan Applications

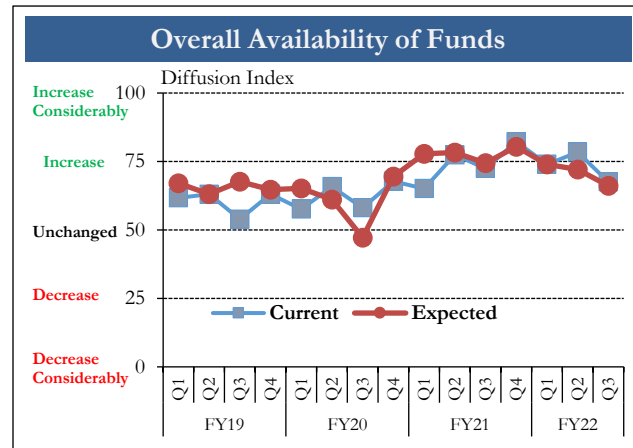
There is a notable decline in number of loan applications received in third quarter of FY22 as compared to same quarter in the preceding year. Moreover, respondents expect number of loan applications to decline slightly in next quarter as well.



Overall Availability of Funds

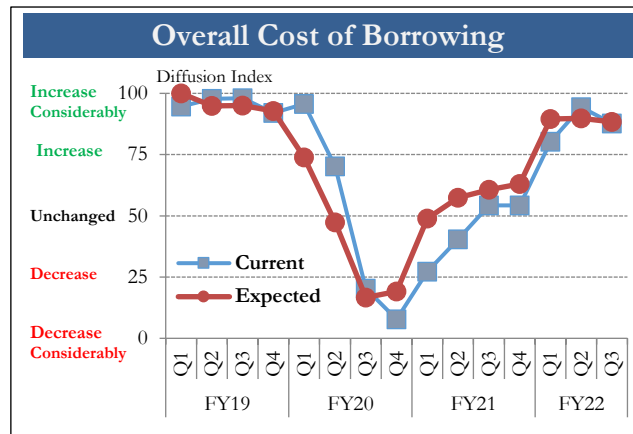
The overall availability of funds declined in the third quarter of FY22 over same quarter of preceding year. It declined significantly over last quarter as well. Furthermore, respondents expect decline in availability of funds in the next quarter as they had expected in the previous quarter.

Main factors affecting availability of funds included monetary policy decision, NPLs, and prevailing economic conditions.



Overall Cost of Borrowing

The overall cost of borrowing showed a decline in Q3-FY22 over previous quarter, though its level is still very high. However, respondents expect the cost of borrowing to be at the same level in the next quarter as its level in current quarter.



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:

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

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

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.