

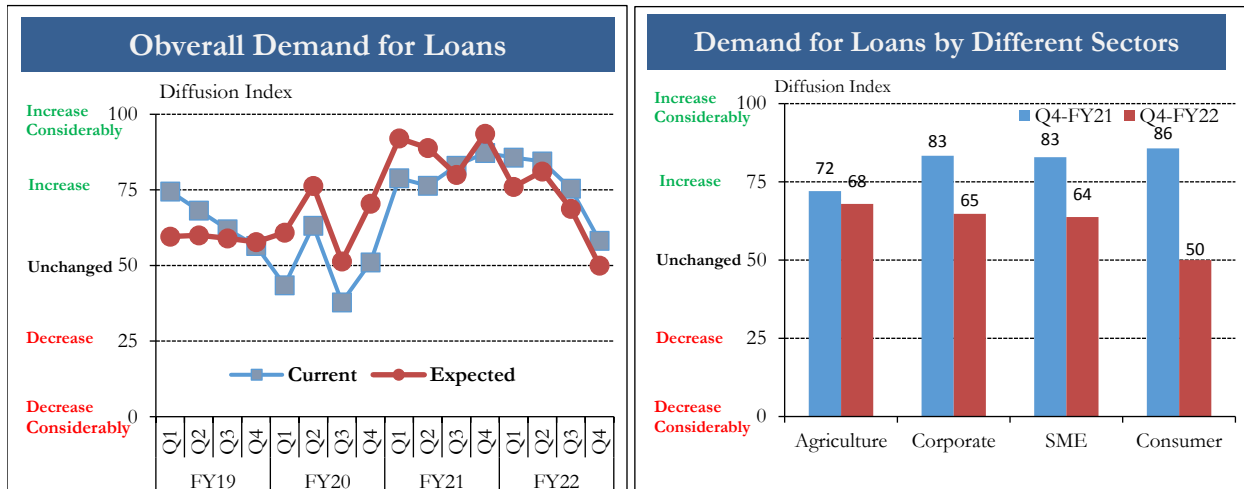
## State Bank of Pakistan’s Bank Lending Survey – Q4-FY22

The current wave of Bank Lending Survey (BLS) was conducted during July 1-15, 2022, participated by 55 senior officers from commercial and specialized banks.

### Overall Demand for Credit

According to the opinions of bank officials in the fourth wave of the BLS of FY22, the overall demand for loans in Q4-FY22 decreased significantly as compared to last quarter. It also showed a sharp decline over the same quarter of FY21. The diffusion index of overall demand is lowest since Q4-FY20. In addition, respondents expect further decline in overall demand for loans for the next quarter; lowest expected credit demand since Q3-FY20.

Overall decrease in the demand for loans contributed by all sectors in Q4-FY22 over same quarter last year. According to the respondents, biggest dip was witnessed in consumers sector followed by SMEs, while agriculture sector contributed the least in decline of overall demand for loans.

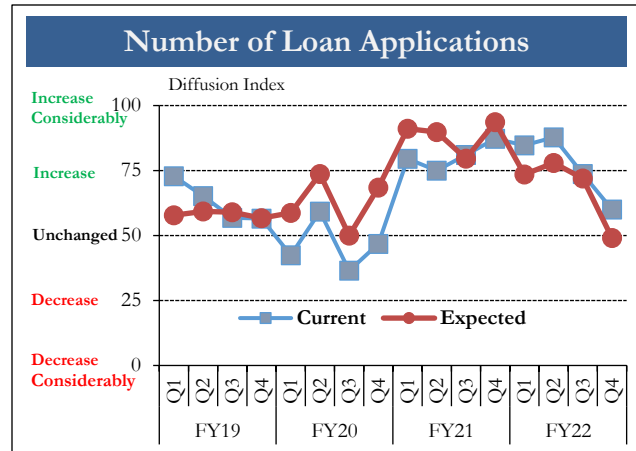


There are various factors affecting overall credit demand. The main factors that pushed the credit demand index down in Q4-FY22 were monetary policy decision, uncertain economic conditions, needs for fixed investment, inventories and working capital.

<b>Factors affecting overall demand for loans</b>		
Diffusion Index: (Value>50 indicates the factor is contributing to increase in demand and vice versa)		
	Q4-FY21	Q4-FY22
Inventories and working capital	79.1	77.1
Fixed investment needs	79.1	55.4
Monetary policy	64.1	15.1
Seasonal effect	57.8	51.0
Security conditions	55.6	50.0
Economic conditions	75.6	19.8

## Number of Loan Applications

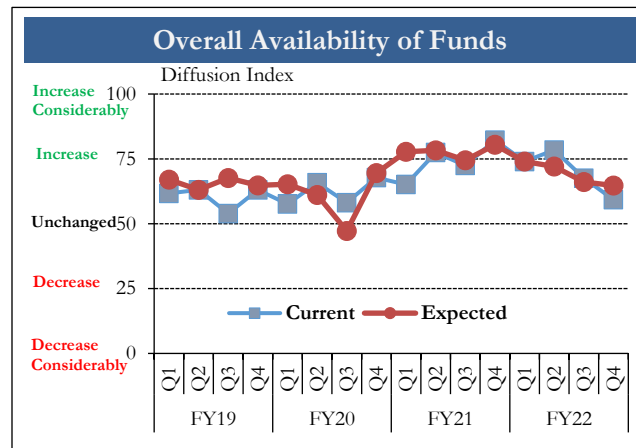
There is a significant decline in number of loan applications received in fourth quarter of FY22 as compared to same quarter in the preceding year. Moreover, respondents expect number of loan applications to further decline in next quarter as well; historically lowest expected index of loan applications and also below the level of 50.



## Overall Availability of Funds

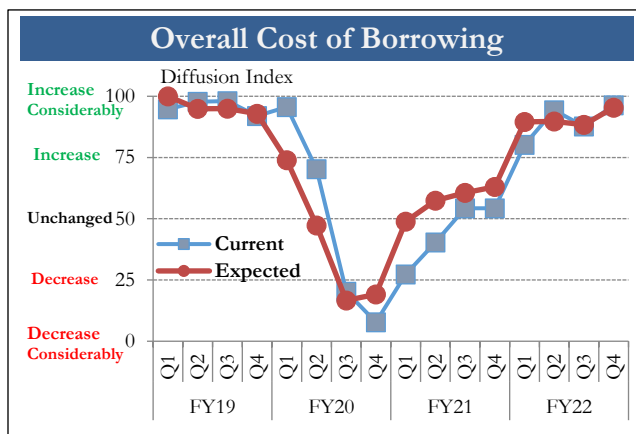
The overall availability of funds declined significantly in the fourth quarter of FY22 over same quarter of preceding year. However, the decline is moderate over last quarter. Furthermore, respondents expect slight decline in availability of funds in the next quarter as they had expected in the previous quarter.

Main factors which negatively affected availability of funds were uncertain economic conditions and monetary policy decision. While volume of deposits positively affected overall availability of funds.



## Overall Cost of Borrowing

The overall cost of borrowing increased significantly in Q4-FY22 over the same quarter of FY21. However, the increase is moderate compared to previous quarter. 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.