



Industry demands 5% interest rate cut



Business calculated

Leaders say single digit rate is crucial as businesses require loans at lower rates to establish international presence. Business leaders appealed to the government and the State Bank of Pakistan (SBP) to scale down the interest rate by 5% to a single digit of 8% from the current high rate of 13% forthwith as inflation fell while pushing up economic growth in the country. Reinforcing their arguments, they said the central bank of the country must reduce the interest rate without any ifs and butts if inflation has really declined. The low rate will help economic activities grow, they said.

SITE Association of Industry (SAI) Karachi President Ahmed Azeem Alvi has called for reducing the policy rate to a single digit in light of the decrease in inflation. He said providing loans at the lower rate is crucial for industries to establish a presence in international markets. He said the SBP should seriously consider this demand in the country's best economic interests so that the industrial community can effectively address issues such as high production costs, cost of doing business, non-competitiveness in an international market, and others.

The current 13% rate is still too high. There is still significant room for reduction, as inflation continues to decrease. Despite this, it is incomprehensible that the SBP has not lowered the policy rate to a single digit with a 5% reduction. Lowering the rate gradually will have positive effects on the national economy. This will also lead to an increase in the trend of borrowing from banks, help address the capital shortage, and significantly aid in restoring industrial activities to their normal pace," he said.

He said a lower rate would increase borrowing from banks and help alleviate capital shortage. He said the SBP should convene a monetary policy committee (MPC)'s meeting fortnightly (15 days) to review the inflation rate and take steps to decrease the interest rate to a single digit.

The business community would welcome such a move, as they are currently unable to borrow at high interest rates due to the severe economic crisis and rising production costs.

Pakistan Chemicals and Dyes Merchants Association (PCDMA) Chairman Salim Valimuhammad also urged the SBP governor to bring down the policy rate to a single digit, citing a decrease in the inflation rate. This initiative will boost business activities and put the economy on the right track.

He reiterated his demand for a single-digit interest rate, stressing that if the government genuinely wants to promote business and industrial activities, it must take business-friendly measures. Otherwise, all government efforts will be in vain. He said the MPC should consider the decreasing inflation rate with a view to scaling down the interest rate.

"When interest rates were high, people invested in banks to earn higher returns. However, if the interest rate drops to a single digit, capital will flow back to the markets and industries, reviving business and industrial activities," he said.