

## **COUNTRY NEEDS TO REPAY \$3BN DEBT IN FIVE MONTHS: SBP**

**KARACHI:** Governor State Bank of Pakistan (SBP) Jameel Ahmad has said that Pakistan is out of default as major external debt payments of \$15 billion has been settled in the first half of FY23 and now the country needs to pay some \$3 billion external debt, in the remaining period of this fiscal year, which will be managed successfully. Addressing a press conference after the Monetary Policy Committee (MPC) on Monday at SBP head office, Governor SBP informed that cumulative financing requirements for this fiscal year were \$33 billion including \$10 billion of current account deficit and \$ 23 billion of external debt. The country has successfully settled principal repayments of \$15 billion so far during the current fiscal year. Out of this amount \$9 billion were paid and \$6 billion were rollover, he informed.

Remaining \$8 billion needs to be settled in the next five months of this fiscal year. Out of this amount \$ 3 billion will be rolled over and some \$2.2 billion will be paid and reverted to Pakistan. As a Result, Pakistan has to pay external debt worth \$3 billion by the end of June 2023 and this amount will also be managed successfully, he informed.

In addition, pledged foreign inflows are also expected to arrive in the next few months that will provide some cushion for repayment of debt during this fiscal year, he informed. "In order to increase the foreign inflows and overcome the ongoing crisis, we need to enhance exports, home remittances and FDI besides curtailing the import to improve balance of payment" Governor SBP suggested. He said that the current account deficit has narrowed by around 60 percent to \$3.7 billion in the first half of FY23. This substantial reduction was due to a sharp contraction in imports, reflecting the impact of policy tightening and administrative measures. Now, due to import compression and better than expected current account deficit numbers of the first half of this fiscal year, the current account is likely to be below \$9 billion, lower than initially estimated \$10 billion. To a question related to exchange rate, Jameel Ahmad said that current exchange rate is market-based exchange rate and moved up and down on market fundamentals. There is some gap in inflows and outflows that is creating a difference in the exchange rate, he added. "In order to curb the illegal business of foreign exchange, the SBP is coordinating with law enforcement agencies and action is being taken", he added. Talking about the inquiry against the banks on dollar manipulation, Governor SBP informed that the inquiry against the banks has been completed and some 13 banks were investigated and action will be taken in next few days.

Overall, commercial banks' foreign exchange business volume increased by 6 percent and they earned Rs 100 billion gross income on exchange rate during the three quarters starting from Jan to Sep of 2022. The banks' exchange business is stabilized after the month September, he mentioned. "SBP is committed and a decision will be made in the next few days. The decision could either be in the form of a regulatory fine or in the form of increased tax on forex income of the banks", he said. On imported stuck containers at ports, he said that after the meeting with the trade bodies like FPCCI and KCCI, the SBP on Monday has already issued directives to resolve the issue and banks have been advised to provide a one-time facilitation to all those importers who could extend their payment terms to 180 days or arrange funds from abroad to settle their pending import payments. He hoped that most of the stick containers would be released through this move.

In addition to supporting the export-oriented industries, banks have been asked to give priority to the export-related imported raw materials. Replying to a question on higher Export Refinance Rate, Governor SBP said that ERF has to be linked with the policy rate as a part of our international commitments. SBP is also making efforts to bring more foreign inflows in the country and recently, banks were directed to mandatory deposit some 35 percent inflows of IT exports into their foreign currency accounts. On lower workers' remittances, he replied that a slowdown in remittances was already expected as during the Covid-19 there were restrictions on the travel and most of the amount was being transferred through banking channels. As now the travel restrictions have been lifted, the passengers are also bringing foreign exchangers with them. In addition, some countries have also reduced workforce that resulted in lower home remittances inflows, he added. Jameel Ahmad said that there is no restriction on withdrawal of dollars from foreign currency accounts. "SBP has already asked the banks to provide the dollars to the customers and SBP will provide the dollars to the banks, if they required", he added.

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## **CABINET TO TAKE KEY ECONOMIC DECISIONS TODAY**

**ISLAMABAD:** Prime Minister Shehbaz Sharif has called a meeting of the federal cabinet on Tuesday in which some significant economic decisions are expected to be taken. Although the agenda of the meeting was not issued till the filing of this report, sources in the PM Office said some significant economic decisions would be taken to revive IMF programme, while Monday's countrywide power outage will also be discussed.

The cabinet will also consider the PTI's threat to take to the streets against the appointment of Syed Mohsin Raza Naqvi as caretaker Chief Minister of Punjab.

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## **CONSIGNMENTS STUCK AT PORTS: BANKS TOLD TO GIVE ONE-TIME FACILITATION TO IMPORTERS**

**KARACHI:** In order to clear the stuck consignments at ports, the State Bank of Pakistan (SBP) has advised banks to provide a one-time facilitation to all those importers who could extend their payment terms to 180 days or arrange funds from abroad to settle their pending import payments.

The business community, including various trade bodies and chambers of commerce, have highlighted that a large number of shipping containers carrying imported goods are stuck at ports, due to delays in release of the shipping documents by the banks. Therefore, in order to facilitate businesses, the SBP Monday announced withdrawal of the requirement of prior approval of imports (falling under HS code Chapters, 84, 85 and certain items under HS code Chapter 87) and instead gave a general guidance to banks to prioritize import of certain essential items such as food, pharmaceutical, energy, etc.

The SBP has also advised banks to provide a one-time facilitation to all those importers who could either extend their payment terms to 180 days (or beyond) or arrange funds from abroad to settle their pending import payments. Accordingly, till March 31, 2023, banks have been advised to process and release documents of shipments/goods that have already arrived at a port in Pakistan or have been shipped on or before January 18, 2023. Further, the SBP has advised the banks to educate their customers to inform their banks prior to initiation of any import transaction to avoid any complications in the future.

## **O/N REVERSE REPO RATE WILL NOW BE 18PC**

**KARACHI:** As the State Bank of Pakistan ((SBP) has decided to increase policy rate (Target Rate) from 16.00 percent to 17.00 percent, the SBP Overnight Reverse Repo (Ceiling) rate will be 18.00 percent, ie, 100 bps above the SBP policy rate and will be effective from Jan 24, 2023.

The SBP Overnight Repo (Floor) rate will be at 16.00 percent, ie, 100 bps below the SBP policy rate. Accordingly, the Floor and Ceiling levels for the Interest Rate Corridor are 16.00 percent and 18.00 percent p.a. respectively, ie, width of 200bps. The SBP will continue to ensure that the money market overnight rate remains close to the SBP policy rate (Target Rate), the central bank said.

## **SBP SUSPENDS AUTHORISATION OF 11 OUTLETS OF 8 Ecs**

**KARACHI:** The State Bank of Pakistan (SBP) has suspended, with immediate effect, the authorisation of 11 outlets of eight exchange companies, for seven to fifteen days due to violations of regulatory instructions.

The SBP conducted mystery shopping at the outlets of exchange companies wherein it was observed that the aforesaid outlets were refusing sale of foreign currencies to their customers despite having availability of the same at their counters. All 11 outlets have been restricted from undertaking any kind of business activity during the suspension period.

## **PASSENGER HELD FOR CARRYING EXCESSIVE FOREIGN CURRENCY**

**KARACHI:** The Customs officials on Monday recovered substantial quantity of foreign currency from a passenger, departing to Saudi Arabia from Karachi.

According to the details, the Customs staff at the international departure of Jinnah International Airport (JIAP) intercepted a passenger named Hasan Gul who was traveling to Saudi Arabia from Karachi. On his refusal to have any contraband goods or foreign currency beyond the limit, the staff checked his luggage and recovered 100,000 Saudi Riyals which is equivalent to 27,000 US dollars from the possession. Consequent upon recovery, a case has been registered against him and further investigation is underway.