



Press Release

The All Pakistan Textile Mills Association (APTMA) issued the following Press Release

MPC MUST SLASH INTEREST RATES BY AT LEAST 400 BASIS POINTS TO REVIVE INDUSTRY AND ECONOMIC GROWTH

Islamabad, 2nd September 2024 –APTMA calls upon the Monetary Policy Committee (MPC) to reduce interest rates by at least 400 basis points during its upcoming meeting on September 12, 2024. The current economic environment demands urgent action to alleviate the financial strain on the industrial sector, particularly as inflation continues to decline.

We are deeply concerned over the prevailing interest rates, which stand at an overwhelming 19.5%. This figure translates to a real interest rate of approximately 10%, a level that is incomprehensible and unprecedented given current economic realities. With inflation on a steady downward trajectory since November 2023, it is imperative that the MPC aligns its monetary policy with the evolving economic conditions to support the struggling industrial sector.

	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24
General Inflation	28.30	23.10	20.70	17.30	11.80	12.60	11.10	9.64
Policy Rate	22.00	22.00	22.00	22.00	22.00	20.50	20.50	19.50
Real Interest Rate	-6.30	-1.10	1.30	4.70	10.20	7.90	9.40	9.86

According to the Pakistan Bureau of Statistics (PBS), inflation fell to 11.1% in July 2024 and further decreased to 9.64% in August 2024. Despite this notable reduction, the MPC has yet to adequately adjust interest rates. Such high real interest rates are counterproductive, stifling economic growth, and hindering the industry's ability to access much-needed capital.

The textile sector is the backbone of Pakistan's economy, driving innovation, employment, and exports. However, the exorbitant cost of borrowing has rendered it nearly impossible for businesses to secure working capital and make investments. In this challenging economic environment, if the government cannot provide any other form of relief to the industry, the least it can do is ensure that borrowing costs are brought down to a feasible level.

High real interest rates are discouraging investment in critical sectors, including textiles, which is Pakistan's largest export-oriented industry. Without affordable financing options, the industry cannot expand, innovate, or compete effectively in international markets. This not only jeopardizes our export potential but also threatens the livelihoods of millions of workers employed in the sector.

The current monetary policy is misaligned with the ongoing efforts to stimulate economic recovery. The MPC's primary objective should be to create an enabling

environment for growth. Given the substantial decline in inflation, there is ample room for a significant reduction in interest rates. Such a move would not only ease the financial burden on businesses but also invigorate the economy by boosting investment, enhancing productivity, and creating job opportunities.

In light of these considerations, APTMA calls on the MPC to take decisive action in its upcoming meeting and reduce interest rates by at least 400 basis points. It must be emphasized that a drastic reduction in interest rates is essential to revitalize the economy, create fiscal space for public expenditures, and ensure the survival and growth of key industries.

We urge the MPC to recognize the urgency of the situation and respond accordingly. A significant cut in interest rates is not just desirable but necessary for the economic well-being of the country. It is time for the MPC to act in the best interest of Pakistan's economy by aligning monetary policy with the current inflationary trends and supporting the private sector in its efforts to drive economic growth.

Forwarded for favor of publication in your esteemed newspaper/transmission.

Asif Inam
Chairman APTMA