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Industry Demands Aggressive Rate Cuts as Pakistan's Inflation Eases

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Pakistan's edible oil industry has called for a dramatic reduction in borrowing costs, urging the State Bank of Pakistan (SBP) to slash the policy rate from 11% to 6% following the recent inflation slowdown to 3.2%. Pakistan Vanaspati Manufacturers Association (PVMA) Chairman Sheikh Umer Rehan argues the current restrictive monetary stance unnecessarily stifles industrial growth while regional competitors benefit from lower interest environments.

The demand highlights growing pressure on central bankers to shift gears after successfully taming inflation. With foreign exchange reserves exceeding $12 billion and currency stability achieved, manufacturers contend the economic landscape justifies substantial easing. “Our regional competitors operate with 6-8% rates,” Rehan noted, emphasizing how Pakistan’s comparatively high costs disadvantage local industry in export markets and domestic production planning. The PVM represents a sector that contributes approximately $2 billion annually to Pakistan’s economy.

Economists remain divided on the appropriate pace of monetary easing. While industrial groups cite improving indicators, some analysts caution against premature relaxation that could reignite inflationary pressures or undermine recent stability gains. “The SBP must balance growth stimulation with preserving macroeconomic stability,” commented financial analyst Asad Ali at Topline Securities. He suggested a measured 200-300 basis point reduction might represent a prudent middle ground.

The coming Monetary Policy Committee meeting will test the central bank’s appetite for risk as it weighs industry demands against its inflation-targeting mandate. With manufacturing contributing 13% to GDP and employing 16% of the formal workforce, the decision carries significant implications for Pakistan’s economic recovery trajectory. A calibrated approach may prove essential to sustain recent gains while reigniting productive sectors of the economy.