

SUBJECT

MONETARY ECONOMIC

Assignment

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## Analysis of monetary policy of Pakistan 2020:

The monetary policy of Pakistan was announced on 25th May 2020. Monetary policy usually changes by state bank after 3 or 6 months, but in six months of 2020 it is fourth time that it is being changed. It is because due to the unexpected coronavirus.

According to ADB global economy could suffer between 5.8 to 8.8 trillion dollars in losses. Which is 6.4 to 9.7 global GDP. The Monetary Policy Committee (MPC) has decided to reduce the 100 basis point to 8th percent. The reason behind this is due to the lockdown business stopped, unemployment rate increases and inflation also increases. The government eases for business to borrow loans from the bank and runs their business again in smoothly way. Before this monetary policy, the businesses were of the view that we can't afford 12% interest rate. 12% interest rate means that business will first earn 12% from their sale for government and then for their business, which also include labour. The business cuts their labour due to the decrease in demand and due to lockdown.

Now in this monetary policy government decreases the interest rate to 9% which will help the businesses to run their business. This will also help to reduce the unemployment rate, because businesses will give jobs to their labour again. When businesses start, they will demand for labour which means reduction in rate of unemployment. This policy will also help to control the inflation rate, because when businesses will have to pay low interest rate then the prices will also fall down.

Export is the main source of earning for a country. Due to the lockdown the export has fall down, because all around the world is lockdown. If the local companies given loan on easy ways, then they can increase their export to certain level.