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**14152**

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**MONETARY ECONOMICS**

**ASSIGNMENT**

**QUESTION.**

What is the impact of new monetary policy on current economic situation and on business?

Monetary policy is component advanced by the national bank to impact loan fees and keep up the gracefully of cash in financial approach utilized by the administration of the nation to accomplish want destinations for example utilization, development and liquidity. To increment financial development national bank's activities and correspondence's are straightforwardly related in design of money related approach.

The state bank of Pakistan issue new monetary policy in which they decided to reduce 100 basis point in interest rate is 8 percent. In last two months it reduces 5.25 percent. According to state bank in current year inflation rate is 11 percent to 12 percent and in next year it becomes to 7 percent to 9 percent which is good if happens. There are some point in my mind that in 2018 interest rate is 6 percent to 7 percent then what state bank thinks that they increased the rate to fast about 13.25 percent. As a result our GDP falls down and government is also in loss. In 2018-19 budget round about 2000 Arab amount is fixed in terms of interest and in 2019-20 budget 3000 Arab amount is fixed in term of interest which means government loss 1000 Arab and this is due to state bank. This badly impact our businesses. In past 2 years total business in Pakistan give 500 Arab – 600 Arab in term of interest and that amount exceed to 900 Arab. They increase the cost of doing business. They thought this increase in interest rate is for collecting hot money in Pakistan. But no hot money was collected infect ruin local or small businesses of Pakistan. Now our interest rate is 8 percent which also a highest rate in Asia. (Thailand 0.05 percent, India 4.4 percent). Why we cannot decrease it more like India?

This interest rate means that inflation is there but the speed of inflation is slow down. This interest rate gives advantages to our businesses especially small scale businesses. Even now days if he apply and take loans they don’t much pay interest on it. They can now easily continue their business especially in this critical situation (covid 19). The rate of petrol also decrease but on the other hand they are producing currency more which cause the price of dollar will increased and cause inflation. So it is the duty of state bank to avoid producing more new currency in order to control inflation.

As indicated by State Bank of Pakistan money related approach is the best standards to achieve these targets on an economical premise is to keep up low swelling and security. Such positive conditions helps in development and work over a period, also it helps in vulnerabilities about future costs of merchandise and enterprises, this outcomes in a superior choice for individuals and organizations to settle on a monetarily significant choices for example utilization, sparing and speculations as needs be. As of late world economy has been gravely harmed by the executioner pandemic known as Corona infection and its damaging ramifications has corned off Pakistan economy in a difficult position. The impact of pandemic on by and large economy we have to consider the components that are contributing toward the economy of Pakistan and afterward assessing how is pandemic influencing those components. The Economy of Pakistan is semi-industrialized, essential fare wares incorporate materials, calfskin products, sports merchandise, synthetic concoctions and floor coverings/mats.

**Featuring the fare component of the Pakistan economy**:

 Considering the general lockdown and Pandemic circumstance, it would not be right to state the fare component of Pakistan has been enormously influenced since all the created nations (the individuals who purchase merchandise from Pakistan) are not bringing in from Pakistan. With the lockdown, the utilization of the products recorded above would be radically influenced in those nations and subsequently less interest. Till this point it’s essentially indistinct when will this infection evaporate off thus as lockdown limitations.

The changing lockdown the nation over has for the most part affected the differing day by day bets, There are two variables to be thought of, one-less work for the neighborhood work in Pakistan which mean less installment to them, It alludes Pakistan should start Financial guide program to help the average workers in enterprises (Mostly work), which will place an imprint in Pakistan's economy. Second, Pakistan won't get any remote money because of less fare, which is another contrarily contributing element to the economy of Pakistan.

Inspecting the critical circumstance government has chosen to ease fiscal strategy which plays safe from transmission of the disease and hold financial movement giving liquidity backing to penniless families and organizations. Rehearsing this organized arrangement for two months by SBP, Government of Pakistan and universal network has bolstered the development, work and money related solidness. It will later on offer help in recuperation of economy. Accordingly, keeping current circumstance in see MPC planned changes in fiscal conditions and expansions that has direct tie with the populace.

Upon further advancements MPC chose to altogether decrease petroleum and diesel cost by 30-40% accordingly of dropped oil costs all around, which has improved the viewpoint for expansion. Fuel costs, Octane-95, 25-May-2020: The (Average) cost of gas far and wide is 148.06 Pakistan Rupee per liter. Be that as it may, there is considerable distinction in these costs among nations. When in doubt, more extravagant nations have more significant expenses while less fortunate nations and the nations that produce and fare oil have altogether lower costs. One striking exemption is the U.S., which is a financially propelled nation however has a low gas cost. The distinctions in costs across nations are because of the different assessments and endowments for gas. All nations approach a similar oil cost of global markets yet then choose to force distinctive duties.