

EBS/83/249
Supplement 1

CONFIDENTIAL

December 20, 1983

To: Members of the Executive Board

From: The Acting Secretary

Subject: Pakistan - Staff Report for the 1983 Article IV Consultation
and Review of the Extended Arrangement

The attached supplement to the staff report for the 1983 Article IV consultation with Pakistan and review of the extended arrangement has been prepared on the basis of additional information.

If Executive Directors have technical or factual questions relating to this paper prior to the Board discussion, they should contact Mr. Hitti (ext. 76068) or Mr. Jakubiak (ext. (5)7109).

Att: (1)

INTERNATIONAL MONETARY FUND

PAKISTAN

Staff Report for the 1983 Article IV Consultation
and Review of the Extended Arrangement--
Supplementary Material

Prepared by the Staff Representatives for the
1983 Article IV Consultation with Pakistan

Approved by A.S. Shaalan and S. Kanesa-Thanan

December 20, 1983

Since the issuance of the staff report (EBS/83/249), the staff has received additional information from the authorities.

The monetary data for the period July-November 1983 indicate that domestic liquidity rose by 4.6 percent compared with 7.1 percent during the comparable period of last year (Table 1). All major components of domestic credit rose at a rate lower than in the comparable 1982/83 period. At end-November government domestic bank borrowing for budgetary support was PRs 5.7 billion, higher than the projection for 1983/84 as a whole. The authorities state that bank borrowing by the Government for budgetary support was high due to seasonality in the receipt of revenues and because of bulk payments of subsidies. They expect budgetary support to be reduced in the coming months. For the first four months of 1983/84, the consumer price index on a period average basis was 8.6 percent above the level during same period of last year; for the last four months of 1982/83, the comparable inflation rate was 6.1 percent. The increase in the inflation rate reflected an average price increase on a successive period basis of 4.8 percent during the first four months of 1983/84; the increase was 2.4 percent in the same period of 1982/83.

In the external sector exports over the first five months of 1983/84 were 31 percent above the level for the comparable period of last year; the rate of increase for imports was 2 percent. The increase in exports was broad based with most major exports and nontraditional manufactured exports as a group evidencing substantial growth. The inflow of workers' remittances was 9 percent higher during July-October 1983 compared with the same period last year. At end-November 1983, gross official reserves were equivalent to US\$1,927 million, or 14.1 weeks of projected 1983/84 c.i.f. imports. This represents a decline of about US\$50 million since end-1982/83. The depreciation of the rupee since end-1981 in terms of the real effective exchange rate was 14.2 percent as of end-September 1983 (the last date for which actual price data is broadly available).

Table 1. Pakistan: Factors Affecting Changes in Money
and Quasi-Money, 1980/81-1983/84

	1980/81	1981/82	1982/83	July-November 1/ 1982/83 1983/84	
	(In millions of Pakistan rupees)				
Money and quasi-money	12,197	11,889	30,664	8,323	6,774
Foreign assets	-1,279	-5,356	10,908	2,263	-1,237
Domestic assets (net)	13,476	17,245	19,756	6,060	8,011
Claims on Government (net)	5,568	6,756	9,346	4,260	3,867
Budgetary support	(2,355)	(5,519)	(6,124)	(4,963)	(5,702)
Commodity support	(4,147)	(1,059)	(3,566)	(135)	(-1,389)
Government deposits with scheduled banks	(-1,045)	(457)	(249)	(-250)	(-258)
Zakat Fund deposits at SBP	(111)	(-279)	(-593)	(-588)	(-188)
Claims on nongovernment sectors	9,531	12,012	14,898	4,252	3,270
Claims on private sector	(4,783)	(7,424)	(9,899)	(2,840)	(2,756)
SBP credit to non-bank financial institutions (NBFI)	(1,852)	(1,562)	(999)	(387)	(306)
Claims on public enterprises	(2,896)	(3,026)	(4,000)	(1,025)	(208)
Counterpart funds	-3	31	-55))
Other items (net)				-2,452) 874
(increase-)	-1,620	-1,521	-4,433))
	(Changes in percent)				
Money and quasi-money	13.2	11.4	26.3	7.1	4.6
Domestic assets (net)	15.1	16.8	16.5	5.0	5.7
Claims on Government (net)	11.1	12.2	15.0	6.9	5.4
Claims on nongovernment sectors	18.9	20.0	20.7	5.9	3.8
Claims on private sector	14.7	19.8	22.1	6.3	5.0
SBP credit to NBFI	51.5	28.7	14.3	5.5	3.8
Claims on public enterprises	20.3	17.7	19.8	5.1	0.9
Memorandum items:					
GDP (at current market prices)	19.2	14.7	13.8		
Velocity	6.0	3.3	-12.5		

1/ The change has been taken with respect to end-June for the previous fiscal year.

While rice output appears to be on target, the cotton crop has suffered a shortfall due to adverse weather. The authorities' tentative crop forecast at 3.4 million bales is 31 percent below last year's output level. No export commitments are presently being made with regard to this year's crop. Cotton export receipts from the sale of carry over stocks were US\$77 million over the first five months of 1983/84, higher than in the comparable period of last year. However, the increment in cotton exports accounted for only 13 percent of the increase in total exports for the first five months of this year. The authorities' 1983/84 balance of payments forecast contained in the staff report included a cotton export projection of US\$360 million for the year as a whole. However, the authorities have not revised their projection for aggregate exports of US\$2.9 billion, since in view of the high rate of growth over the first five months for exports apart from cotton they hope that any shortfall in cotton export receipts will be made up by larger exports of other items.

During December 7-8, 1983 a special meeting of the Pakistan Consortium was held in Paris to discuss Pakistan's Sixth Five-Year Development Plan, which began on July 1, 1983. The Consortium members endorsed the Plan's broad objectives. External financing commitments were not requested during the meeting.