

MASTER FILES

ROOM C-120

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SM/85/29
Correction 1

CONTAINS CONFIDENTIAL
INFORMATION

February 25, 1985

To: Members of the Executive Board
From: The Secretary
Subject: Pakistan - Staff Report for the 1984 Article IV Consultation

The following corrections have been made in SM/85/29 (1/29/85):

Page 23, para. VIII, line 4: for "January 15, 1984"
read "January 15, 1985"

Page 31, Table 5, line 15: delete footnote "3/"

Corrected pages are attached.

Att: (2)

Other Distribution:
Department Heads

b. Special facilities

(1) Compensatory financing facility

- (i) Approved: August 2, 1982
- (ii) Amount: SDR 180 million.

IV. SDR Department

a. Net cumulative allocation: SDR 169.99 million.

b. Holdings: SDR 37.40 million, or 22 percent of net cumulative allocations.

V. Administered Accounts

a. Trust Fund

- (i) Disbursed: SDR 229.65 million
- (ii) Outstanding: SDR 203.59 million

b. SFF Subsidy Account

- (i) Payments by the Fund: SDR 38.18 million

VI. Overdue obligations

None

B. Nonfinancial Relations

VIII. Exchange System

With effect from January 8, 1982, the rupee ceased to be pegged to the U.S. dollar, and Pakistan introduced a managed floating exchange rate system based on a currency basket with the U.S. dollar continuing to be the intervention currency. As of January 15, 1985 the exchange rate was PRs 15.50 per U.S. dollar. Pakistan maintains restrictions on payments and transfers for current international transactions.

IX. Last Article IV Consultation

The last Article IV consultation discussions and a review under the extended arrangement were held in Islamabad during August 15-21, 1983, and resumed in Washington, D.C. during September 24-30, 1983. The staff report (EBS/83/249, and Sup. 1) was discussed by the Executive Board on December 21, 1983 (SUR/83/49). The Executive Board's decision [Decision No. 7588-(83/180)], adopted on December 21, 1983 was as follows:

1. The Fund takes this decision relating to Pakistan's exchange measures subject to Article VIII, Section 2, and in concluding the 1983 Article XIV consultation with Pakistan, in the light of the 1983 Article IV consultation with Pakistan conducted under Decision No. 5392- (77/63), adopted April 29, 1977 (Surveillance over Exchange Rate Policies).

2. The Fund hopes that Pakistan will continue to pursue policies that will facilitate a relaxation of restrictions on payments and transfers for current international transactions. The Fund notes that Pakistan has eliminated a bilateral payments agreement with one Fund member and hopes that further progress will be made toward eliminating the bilateral payments agreements with two Fund members.

Pakistan is on the standard 12-month cycle.

X. Technical Assistance

a. The Fiscal Affairs Department has provided technical assistance to the Government of Pakistan on reform of the indirect taxation (April 1981).

b. The Bureau of Statistics has provided technical assistance to the State Bank of Pakistan on price index methodologies (July 1983) and on balance of payments statistics (December 1983 and August 1984).

c. The Bureau of Computing Services has provided technical assistance to the Ministry of Finance on development of a computer based data management system (March 1984).

Table 5. Pakistan: Balance of Payments, 1979/80-1984/85

	1979/80	1980/81	1981/82	1982/83	Official Proj. 1/ 1983/84	Prov. Actual	Prov. Actual July-Sept. 1984/85	Official Proj. 1984/85
(In millions of U.S. dollars)								
Trade balance	-2,516	-2,765	-3,450	-2,989	-3,560	-3,334	-978	-3,564
Exports, f.o.b.	2,341	2,798	2,319	2,627	2,935	2,668	497	2,953
Imports, f.o.b.	-4,857	-5,563	-5,769	-5,616	-6,495	-6,002	-1,475	-6,517
Services (net) 2/	-524	-458	-547	-612	-724	-713	-306	-710
Private transfers (net)	1,895	2,232	2,387	3,043	3,364	3,018	669	3,092
Of which: workers' remittances	1,743	2,097	2,224	2,886	3,174	2,737	605	2,805
Current account balance	-1,145	-991	-1,610	-558	-920	-1,029	-615	-1,182
Long-term capital (net)	716	524	683	969	1,019	768	171	1,002
Gross official disbursements	1,054	956	1,092	1,301	1,489	1,234	295	1,418
Amortization 2/ Other (including private long-term capital)	-395	-516	-492	-420	-470	-555	-139	-517
Other (including private long-term capital)	57	84	83	88	--	89	15	101
Errors and omissions (net) (including private short-term capital)	20	13	10	18	...	42	-85	--
SDR allocations	39	37	--	--	--	--	--	--
Balance requiring official financing	-370	-417	-917	429	99	-219	-529	-180
Exceptional financing	608	393	337	269	54	152	-66	12
IMF Trust Fund	157	16	--	--	--	-14	--	-21
Debt relief	90	161	258	35	28	28	--	25
Official short-term capital (net)	52	134	6	-49	26	37	-71	8
Other official financing	278	25	10	10	--	--	--	--
Foreign currency deposits	31	57	63	273	--	101	5	--
Overall balance	238	-24	-580	698	153	-67	-595	-168
Net foreign assets (increase-)	-238	24	580	-698	-153	67	595	168
Net use of Fund credit	-79	315	345	413	-63	-15	-16	-90
Other central bank and commercial banks	-159	-291	235	-1,111	-90	82	611	258
Memorandum items:								
Total long-term capital (net) 3/	1,241	726	951	1,014	1,047	782	171	1,006
Gross official reserves (in weeks of projected imports, c.i.f.)	6.4	8.8	6.9	15.2	14.1	12.7	...	10.9
(In percent)								
Growth rates								
Exports, f.o.b.	42.2	19.5	-17.1	13.3	11.7	1.6	...	10.7
Imports, f.o.b.	27.3	14.5	3.7	-2.6	17.2	6.9	...	8.6
Workers' remittances	24.9	20.3	6.1	29.8	10.0	-5.2	...	2.5
Current account deficit/GNP	4.5	3.2	4.9	1.8	2.7	3.0	...	3.2

Sources: Pakistan authorities and staff estimates.

1/ Projected in August 1983.

2/ Includes actual and rescheduled debt service payments.

3/ Includes "long-term capital (net)," IMF Trust Fund, debt relief, and other official financing.

Table 6. Pakistan: Actual and Projected Official Debt Service Payments, 1981/82-1988/89 ^{1/}

	Actual			Official Projections				
	1981/82	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88	1988/89
(In millions of U.S. dollars)								
Scheduled debt service								
Medium- and long-term debt								
Debt already contracted as of June 30, 1984	749	668	853	777	795	787	792	793
Principal	492	420	555	517	493	489	504	514
Interest	257	248	298	260	302	298	288	279
Fresh debt	--	--	--	18	31	62	87	122
Principal	--	--	--	3	6	13	16	21
Interest	--	--	--	15	25	49	71	101
Short-term debt ^{2/}	506	496	336	233	162	96	74	74
Principal	420	432	284	181	130	75	60	60
Interest	86	64	52	52	32	21	14	14
Debt owed to the IMF ^{3/}	214	182	146	244	408	458	374	247
Repurchases	159	80	29	111	286	356	300	214
Charges	55	102	117	133	122	102	74	33
Rescheduled debt service ^{4/}	258	35	28	25	25	10	9	9
Principal	204	31	27	24	24	9	9	9
Interest	54	4	1	1	1	1	--	--
Debt service payments ^{5/}								
Including the IMF	791	879	1,023	1,066	1,241	1,318	1,258	1,167
Excluding the IMF	577	697	877	821	833	860	884	920
(In percent)								
Ratio of debt service payments to current account receipts ^{6/}								
Including the IMF	14.0	13.2	15.2	14.8	15.7	15.4	13.4	11.4
Excluding the IMF	10.2	10.5	13.0	11.4	10.5	10.0	9.4	9.0
Memorandum item:								
Current account receipts	5,642	6,644	6,719	7,202	7,881	8,581	9,388	10,244

Sources: Data provided by the Pakistan authorities; and staff estimates.

^{1/} Public and publicly guaranteed debt. Excludes private debt and the foreign liabilities and foreign currency deposits of commercial banks.

^{2/} Assumes that short-term commercial bank borrowing is lengthened in maturity and completely phased out by 1986/87.

^{3/} Includes Trust Fund.

^{4/} Takes account of provisions of the January 1981 rescheduling agreement with the Pakistan Consortium.

^{5/} Excludes principal repayments on short-term debt.

^{6/} Current account receipts exclude official transfers.