

Review of Developments in the Pakistan Economy

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The food supply position in the country was visibly comfortable during the period January-March 1962. However, cotton and jute markets were characterised by weak business sentiment owing to lack of adequate foreign demand and in the case of cotton, accumulating stocks at Karachi tended to depress prices. On the other hand, tea prices ruled firm at Chittagong auctions. In the industrial sector, a significant pick-up in production in a number of industries was discernible. At the same time, the short-term money market at Karachi witnessed acute stringency. Considerable increases were shown in money supply, deposit money and bank credit. A slight improvement in the deficit balance on current account was recorded following a larger increase in exports than imports. Meanwhile, there were some increases in the Cost of Living Indices for Karachi, Lahore and Narayan-ganj.

FOOD AND AGRICULTURE

During the quarter January to March 1962, the food position in the country remained comfortable. At the same time, it was estimated that Pakistan would effect a net saving on foreign exchange of Rs. 1.58 crores for the year 1961-62 (July to June) on account of foreign trade in rice. The Central Finance Minister stated on January 22, 1962, that foreign exchange earnings through exports of superior quality rice during the current trade year might reach Rs. 17.29 crores. As against this, imports of coarse rice would account for Rs. 15.71 crores. Actual rice exports for the year 1961 were placed at 121,300 tons against 7,700 tons for 1960. Meanwhile official procurement of rice in West Pakistan upto the end of December 1961 amounted to 403,000 tons of which procurement under the 1960/61 scheme stood at 296,000 tons (Lahore region: 1,20,000 tons and Hyderabad region: 1,76,000 tons) and under the 1961/62 scheme it stood at 107,000 tons (Lahore region: 51,900 tons; Hyderabad region: 54,800 tons).

During the period under review, prices of wheat in the Lyallpur market recorded a small net decline from Rs. 14.00—16.25 per maund to Rs. 14.00—15.50 per maund. Quotations were significantly higher a year ago (March 1961) at Rs. 16.00—17.00 per maund. The improvement in the supply situation was largely attributable to the largest wheat crop since Independence in 1961/62. As a result of an increase in the area sown under wheat, favourable weather conditions and considerable improvement in production techniques, output of wheat is estimated to increase by 2.40 lakh tons to about 40 lakh tons. The satisfactory domestic supply situation reflected in a decline in the offtake of imported wheat from about 6 lakh tons in 1960/61 to 3.5 lakh tons in 1961/62.

Meanwhile, the West Pakistan Government stocks of wheat declined

somewhat from 3,53,267 tons in January to 3,50,940 tons in March 1962. More than 1 lakh tons of wheat were imported by the Central Government under P. L. 480 in February 1962.

In the above context of a favourable wheat supply situation the West Pakistan Government reduced the sale-price of imported wheat by Rs. 2 per maund with effect from April 8, 1962. The rate was reduced to Rs. 13.92 per maund at Karachi and to Rs. 14 per maund in the rest of West Pakistan.

As regards rice, prices for medium quality in the Dacca market ruled steady around Rs. 28.80. Although it is higher than the quotation of Rs. 27.60 ruling a year ago, it actually reflected considerable decrease from the Rs. 37.60 quoted in November/December 1961.

According to the third official estimate for rice for 1961/62, there was a decline in production by 2.0 per cent to 100,89,000 tons due mainly to a fall in cultivated area by 3.1 per cent to 239,58,000 acres. Although there was an increase in output of rice in West Pakistan, it was more than offset by a larger fall in output in East Pakistan which experienced adverse weather conditions during sowing and transplantation. Releases of government-held stocks of rice in East Pakistan had a salutary effect on the price level. East Pakistan Government's stocks of rice were marked down from 79,77,713 maunds at the end of December 1961 to 74,41,455 maunds at close of March 1962. However, net additions were made to stocks of paddy which increased from 5,75,522 maunds to 7,32,756 maunds over the period under review.

Agricultural development in the country was reviewed by the Governor's conference held at Dacca in early February 1962 under the Chairmanship of the President of Pakistan. It was decided that mechanised and cooperative farming would be encouraged. Farmers were to be provided further incentives to increase production of foodgrains and other agricultural products, through the provision of agricultural extension services and subsidised fertilizers and machinery including power pumps and tubewells. At the same time, emphasis on agriculture would be given to education at the primary and secondary stages, particularly in the rural areas.

Following the Governor's Conference held at Dacca, the Central Minister for Food and Agriculture announced on February 17, 1962 a 12-point agricultural policy. Accordingly, cooperative farming on a voluntary basis was to be introduced with respect to holdings of land up to 12 1/2 acres in West Pakistan and to 4 acres in East Pakistan. In areas where cooperative farming is undertaken the present scheme for consolidation of holdings would not be continued. Cooperatives would have priorities in the supply of tractors, implements *etc.*, over individual land owners. One of the conditions of allotment of State lands would be that the allottees should, as far as practicable, join a cooperative farming society. At the same time, the Government has decided in favour of immediately adopting mechanised cultivation throughout the country to the extent it is feasible and economical. The provincial governments would, if considered necessary, enact legislation for the purpose of enabling a landlord to enforce mechanisation among his tenants. Meanwhile about 20,000 acres of land in the Ghulam Mohammad Barrage area are being brought under mechanised farming on a cooperative basis.

The import of agricultural machinery is already on the Open General Licence and steps are now being taken to simplify further the administrative procedure laid down for their imports. Meanwhile, the present projects for assembly and manufacture of tractors at Wah, Karachi Shipyard and other places are being expanded.

PRICE TRENDS OF FOODGRAINS

(Rupees per maund)

End of the Month		Wheat at Lyallpur (West Pakistan)	Rice at Dacca (Medium Quality) (East Pakistan)
January 1961	17.50—18.00	27.60
February 1961	16.75—17.75	27.60
March 1961	16.00—17.00	27.60
December 1961	14.00—16.25	28.80
January 1962	14.00—16.00	28.80
February 1962	14.75—16.00	28.80
March 1962	14.00—15.50	28.80

KARACHI COTTON MARKET

The Karachi cotton market was characterised by bullish conditions during the month of January 1962. Business sentiment weakened appreciably during February and March so that the quarter January-March 1962 ended with net losses in prices after erasing the gains recorded in January.

The bullish trend in prices during January was ascribed to bulk purchases by China. Enlarged offtake by India was another contributory factor and the market expected additional exports of 'staple' cotton to that country in view of a shortfall in its crop which was estimated at 3.8 million bales against 4.6 million bales in the preceding season. Thus, N.T. (R.G.) was marked up from Rs. 87.70 per maund at the end of December 1961 to Rs. 90.85 per maund at the close of January 1962.

Subsequently N.T. (R.G.) declined progressively to Rs. 87.65 in February and further to Rs. 79.10 in March due mainly to continued lack of support from local mills and pressure of mounting stocks in Karachi. Karachi mill purchases from the beginning of the season (September 1, 1961) to March 1962 stood lower at 2,13,850 bales as compared with 2,42,080 bales in the corresponding period of last season. Stocks held in Karachi at the end of March 1962 were higher at 2,54,000 bales against a little more than 1 lakh bales a year ago. Export demand, however, remained satisfactory during the period under review as reflected in the E.P.C. registration with the State Bank of Pakistan, which rose from 26,960 bales in December 1961 to 46,760 bales in January 1962. The figures for February and March 1962 were 41,350 bales and 51,743 bales respectively.

The 'desi' varieties of cotton ruled significantly weak throughout the period under review due to two export releases by India of Bengal desi cotton totalling to 1,45,000 bales. As a result, Sind desi declined from Rs. 76.00 per maund at the end of December 1961 to Rs. 62.00 per maund at the close of March 1962.

The 1961/62 cotton crop is estimated higher at 16.55 lakh bales against 15.82 lakh bales of 1960/61. Arrivals of cotton into Karachi from upcountry centres from the beginning of the season to the end of March 1962 stood at 8,32,610 bales against 7,80,881 bales of the last season. Total export sales so far this season amounted to 2,78,688 bales (of which desi cottons 1,26,902 bales) and compared favourably with the last season's corresponding figure of 2,38,945 bales (of which desi cottons 93,671 bales).

KARACHI COTTON MARKET

(Rupees per maund)

End of Month	Staple R.G.		Desi	
	N.T.	289F	Sind	Punjab
January 1961	94.20	97.20	106.00	104.00
February 1961	89.35	93.35	104.00	100.00
March 1961	94.20	95.70	103.00	101.00
December 1961	87.70	96.70	76.00	74.00
January 1962	90.85	105.35	75.00	74.00
February 1962	87.65	99.05	70.00	67.00
March 1962	79.10	90.00	62.00	69.25

As regards the world cotton situation, although total area sown under cotton in 1961/62 touched a new record of 70 million acres, production of cotton stood lower than that of last year owing to very low yields per acre in countries like India, Egypt and Uganda. Total world output for 1961/62 is placed around 39.8 million bales against 40.4 million bales of the preceding year. Production trends in some major cotton producing countries for the years 1960/61 and 1961/62 are as follows: U.S.A. (14.4 and 14.3 million bales), India (4.6 and 3.8 million bales), Mexico (2.1 and 2.0 million bales), Brazil (1.9 and 2.2 million bales), Egypt (2.2 and 1.5 million bales) and U.S.S.R. (6.8 and 7.0 million bales).

Meanwhile, world supply of cotton for the 1961/62 season amounted to 59.2 million bales (consisting of 19.4 million bales of carry-over stocks and 39.8 million bales production) as against 59.4 million bales in the 1960/61 season and 58.5 million of 1959/60 season. It is noteworthy that total world consumption of cotton is expected to set a new record at 40.6 million bales in 1961/62 against 40.1 million bales of the previous year. While consumption is on the uptrend in countries like U.S.S.R., U.S.A., India and Canada, it shows some decline in the United Kingdom, Germany and Japan,

NARAYANGANJ JUTE MARKET

The Narayanganj raw jute market witnessed bearish trends during the period January to March 1962. As a result of slack foreign demand, White Jat Bottoms in the Kutcha bales section declined from Rs. 44.00 per maund to Rs. 38.00 per maund during January 1962. In the pucca bales section, Mill Firsts were also marked down from Rs. 290 per bale to Rs. 270 per bale. Some revival of demand was discernible in February following a lowering of the official Minimum Export Prices and smaller arrivals of jute from other centres. Only the Kutcha bales section benefited from these favourable factors as regards prices with an increase by Re. 1.00 per maund for White Jat Bottom. On the other hand, lowering of the official EPC prices led to a fall in Mill Firsts from Rs. 280 to Rs. 270 per bale and at the same time export offtake improved considerably. Thus, the EPC registrations increased from 3,00,758 bales in January to 4,96,982 bales in February. In the month of March, although the prices ruled steady there was a paucity of foreign enquiries. Prospects of a large new crop in the 1962/63 season induced both foreign and local mills to limit their purchases to immediate requirements. Production of jute in 1961/62 rose by 23.9 per cent to 1,244,000 tons against 1,004,000 tons of the previous year. A further increase in output is anticipated for 1962-63. In fact, EPC registrations for March stood at a very low level of 1,17,566 bales.

NARAYANGANJ JUTE MARKET

End of Month	KUTCHA BALES		PUCCA BALES	
	While Jat Bottoms		Mill Firsts	
	(Rs. per maund)	(Rs. per bale)	(£ per ton)	
January 1961	..	73.00	405	188
February 1961	..	83.00	435	199
March 1961	..	71.00	395	189
December 1961	..	44.00	290	134
January 1962	..	38.00	280	132
February 1962	..	39.00	270	128
March 1962	..	39.00	270	128

Since the beginning of the season (July 1961) to March 1962, total EPC registrations with the State Bank of Pakistan stood higher at 35,58,700 bales (overseas countries 32,20,920 and India 3,37,780) as compared with last season's corresponding figure of 28,14,090 bales (overseas countries 24,24,720 bales and 3,89,370 bales).

At the close of March 1962, sellers were eager for business both at Dundee

and Calcutta markets. Earlier, at Dundee quotations for Mill Lightnings had eased from £123 to £115 per ton and even after lowering of EPC prices in Pakistan by the authorities, fair amount of affloat jute was supplied still lower prices. The New Crop of 1962/63 was being offered around £105 for Mill Lightnings.

World production of jute, excluding Communist China and USSR, is estimated 39 per cent higher at 5,064 million lbs in 1961 of which Pakistan accounted for 2,720,000 lbs. Output in India increased by more than 31 per cent to 2,120,000 lbs. Production in 1961 in other important countries: Brazil (114,000 lbs.), Taiwan (50,000 lbs), Burma (22,400 lbs) and Thailand (9,260 lbs).

CHITTAGONG TEA AUCTIONS

Under the impact of persistent demand, tea prices gained considerable ground at the Chittagong tea auctions during the quarter January-March 1962. The firmness in prices also reflected similar trends in the London and Calcutta markets.

In the 'External' auctions BOP increased steadily from Rs. 1.50/1.60 per pound to Rs. 1.70 per pound. In the 'Internal' auctions, BOP was marked up from Rs. 2.30/2.35 per pound to Rs. 2.50/2.60 per pound. Prices for Dust also increased from Rs. 2.15 to Rs. 2.40 per pound. One of the major factors for increases in prices was the additional allocation of export quota by 2 1/2 million pounds in December. Earlier, the Government had fixed an export quota of 10 million pounds for 1961/62 (April-March). Total quantity of tea sold at the 'Internal' auctions during the current season is estimated at 44,882,000 pounds and the total quantity sold at the 'external' auctions amounted to 12,086,000 pounds. Tea output for the season increased by 40.5 per cent to 59 million pounds (a new high record since Independence) and compared with the output of 42 million in the 1960/61 season.

The Government has announced a tax holiday covering a period of eight years for new tea companies which might be established in East Pakistan between July 1, 1961 and June 30, 1965. This tax holiday benefit, which is provided to companies with a minimum paid-up capital of Rs. 50,000 and which operate on locally produced tea, is expected to give a fillip to tea industry. In recent years, Pakistan's tea exports have fallen considerably owing to diversion of tea output from exports to domestic consumption. Attempts to enlarge exports led to appreciable increases in domestic prices of tea consequent upon acute shortages. The new measure is expected to increase tea acreage and output in East Pakistan.

INDUSTRY

The Index of Industrial Production (base: 1954 = 100) increased from 214.9 for the quarter July-September to 229.0 for the quarter October-December 1961 and compared with the index of 205.4 for the last quarter of 1960. There has been a pick-up in industrial output in the last quarter of 1961 as

underlined by the increase of 15.0 index points against the increase of 10.4 points in the preceding quarter and only 3.3 points in the corresponding quarter of 1960.

As regards individual industries, production of cotton yarn increased from 107.2 million pounds in July-September to 108.7 million pounds in October-December 1962. Output of Cotton Cloth also increased somewhat and the corresponding figures were 174.1 million yards and 174.7 million yards respectively. Total production of cotton yarn in 1961 amounted to 412.6 million pounds (against 408.7 million pounds in 1960) and of cotton cloth 699.0 million yards (against 628.8 million yards in 1960). Other important industries which recorded considerable increases in production in 1961 are: paper (from 26,939 tons to 31,925 tons), newsprint (from 3,532 tons to 21,369 tons), cigarettes (from 9,946 million to 12,065 million), vegetable products (34,273 tons to 45,197 tons), beer (325,988 gallons to 345,394 gallons), cement (1.12 million tons to 1.22 million tons), steel ingots (7,371 tons to 8,517 tons), tyres, and tubes (from 2.95 million to 3.98 million), and superphosphate and ammonium sulphate (from 48,290 tons to 58,554 tons). On the other hand, some industries have recorded a decline in output in 1961 of which the important ones are: jute-goods (from 264,674 tons to 250,354 tons) and silk and rayon cloth (from 26.0 million yards to 21.9 million yards).

The Industrial Investment Schedule for the private sector under the Second Five Year Plan (1960-65), has been implemented to the extent of 92.7 per cent during the first 18 months of the Plan from July 1960 to December 1961. As much as 94.1 per cent of the target fixed for foreign investment has been committed.

Out of the total investment of Rs. 284.40 crores (Rs. 114.88 crores internal and Rs. 284.40 crores external allocation), amounts sanctioned during the first 18 months of the Plan were placed around Rs. 263.80 crores (Rs. 104.28 crores internal and Rs. 159.52 crores external). Of this West Pakistan accounted for Rs. 196.25 crores and East Pakistan, Rs. 67.55 crores. The investments so far committed have largely benefited textile, engineering and food product industries. In view of the encouraging fulfilment of the Schedule by private industrialists, the Government has recently decided to revise the Schedule.

MONEY, BANKING AND CREDIT

Stringency in the short-term money market persisted during the period January-March 1962. This was ascribed to seasonal factors connected with the movement of primary products to foreign markets. Despite the assistance obtainable from the State Bank of Pakistan, the inter-bank call-money rate rose from 3.75 per cent in December to 4.00 per cent in February and remained at that high level in March. However, the corresponding figure a year ago was still higher at 4.16 per cent.

Money supply increased from Rs. 620.5 crores in December 1961 to Rs. 624.97 crores in March 1962 through an increase in deposit money while the currency in circulation actually recorded a small decline. A year ago, money supply stood lower at Rs. 616.5 crores. In determining the

movements in money supply, the domestic private sector was the dominant factor in January while the government sector was largely responsible in February and March 1962. At the same time, bank credit showed a considerable increase from Rs. 272.5 crores to Rs. 296.78 crores (and compared with 220.71 crores in March 1961) which was almost entirely accounted for by 'advances' and the increase in 'bills discounted' was very negligible. Such a big increase in bank credit coupled with some increase in 'investment' necessitated the scheduled banks to increase their borrowings from the State Bank which stood at Rs. 72.39 crores in March 1962 against 49.8 crores in December 1961 and Rs. 35.41 crores in March 1961. Meanwhile the ratio of bank credit to total deposit which has risen from 78.0 per cent in December 1961 to 80.9 per cent in January 1962 gradually declined to 79.8 per cent in March 1962.

In January 1962, the State Bank of Pakistan directed the authorised dealers among the scheduled banks to observe the following deposit requirements while opening letters of credit for imports. Importers were required to deposit 30 per cent margin for iron and steel and 25 per cent margin for items like chemicals, tractors, motor cycles, typewriters *etc.* However, such restrictions were not applied to imports by industrial consumers.

MONETARY SITUATION

(Rupees in crores)

ITEMS	March 1961	December 1961	January 1962	February 1962	March 1962
1. Money Supply ..	616.5	620.5	623.5	622.8	624.97
2. Currency in circulation ..	409.0	405.4	412.4	405.3	404.92
3. Scheduled banks:					
(i) Total deposits (general)	318.76	338.5	334.13	342.96	352.03
(a) Demand ..	203.45	210.0	206.91	213.37	215.93
(b) Time ..	115.31	128.5	127.22	129.59	136.10
(ii) Borrowings from the State Bank ..	35.41	49.8	69.55	66.05	72.39
(iii) Balances with the State Bank ..	15.09	17.8	16.50	16.72	19.41
(iv) Bank credit ..	220.71	272.5	282.15	289.60	296.78
(a) Advances ..	199.46	245.9	256.54	263.03	270.05
(b) Bills discounted ..	21.25	26.6	25.61	26.57	26.73
(v) Investment ..	134.18	125.6	128.50	128.05	128.32
4. Call money rate* (%) ..	4.16	3.75	3.75	4.00	4.00

*Average of weekly figures

Source: State Bank of Pakistan *Bulletin*.

FOREIGN TRADE AND PAYMENTS SITUATION

Pakistan's balance of payments on current account showed a smaller deficit of Rs. 5.33 crores in October-December 1961 than the deficit of Rs. 9.71 crores recorded in the preceding quarter. However, the position reflected deterioration when compared with last year's corresponding quarter when there was a surplus of Rs. 5.78 crores.

The reduction in the payments deficit from the third to the fourth quarter of 1961 was the result of larger increase in export earnings than in import payments. While exports increased by Rs. 17.87 crores to Rs. 56.30 crores, imports went up by a smaller amount of Rs. 14.25 crores to Rs. 80.04 crores. However, in respect of 'services', there was some deterioration in the net position of 'transportation and insurance' and 'investment income.'

As regards *exports*, all items recorded increases except jute manufactures, hides and skins and the group of minor exports. The largest increase in exports was recorded by raw jute (from Rs. 13.70 crores to Rs. 32.26 crores) followed by tea, raw cotton and cotton textiles.

As regards *imports*, there were increases on private account from Rs. 34.84 crores to Rs. 38.11 crores, on government account, from Rs. 10.75 crores to Rs. 17.85 crores as well as in aid-financed imports, from Rs. 20.20 crores to Rs. 24.08 crores. A break-up of imports showed that large increases were recorded by chemicals (from Rs. 4.63 crores to Rs. 5.16 crores), by manufactured goods (from Rs. 10.81 crores to Rs. 11.21 crores), by machinery and transport equipment (from Rs. 12.75 crores to Rs. 16.07 crores) and crude materials (from Rs. 1.85 crores to Rs. 2.15 crores). On the other hand, declines were registered by items like minerals, fuels and lubricants (Rs. 4.58 crores to Rs. 3.08 crores).

COST OF LIVING

The Consumers' Price Index for Government and Commercial Employees (Clerical) in Karachi (base: 1956=100) declined from 117 for December 1961 to 116 for January 1962 but rose again to 117 in February and remained at that level in March 1962. The corresponding index a year ago was 115. The increase of two index points from March 1961 to March 1962 was the result of increases in the individual indices for 'food' and 'miscellaneous' items which more than offset the fall in the index for 'clothing and footwear'.

The Cost of Living Indices for Industrial Workers showed increases for Karachi, Lahore and Chittagong during the first quarter of 1962. As compared with the indices for March 1961, there were significant increases for all the centres. Between December 1961 and March 1962, the Karachi index increased from 129 to 131 (and compared with the index of 128 for March 1961) due to increases in food prices; the Lahore index increased from 126 to 128 (index for March 1961, 123) due to increases in the prices for food, fuel, bedding and clothing *etc.*, the index for Narayanganj also increased from 124 to 128 (March 1961 index, 121) due to increases in prices of fuel and miscellaneous items,