
Macroeconomic indicators - IMF revises Pakistani inflation to 11pct

Monday, 11 Jan, 2010

Dawn quoted the International Monetary Fund as saying that Pakistan's expected rate of inflation for the 2009 to 2010 fiscal year has been revised upwards to 11% from an earlier projection of 9% on higher energy costs.

Pakistan agreed in November 2008 to an IMF emergency loan package of USD 7.6 billion to avert a balance of payments crisis and shore up reserves. The fund increased the loan to USD 11.3 billion in July and released a fourth tranche of USD 1.2 billion last month.

IMF said that the inflation outlook has been revised from 9% to 11%. This reflects the rebound in the prices of fuel and a larger second round impact of the increases in electricity tariffs. Inflation had declined from a record high of 25.3 in August 2008 to 22 month low in October last year of 8.87%. However inflation in November was 10.51%.

According to a survey of 11 analysts and economists, December consumer prices were seen rising 11.80% from a year earlier. They expected inflation to rise further in January.

Given the inflation trend, the IMF said that it did not expect any easing of monetary policy. It said that remaining inflation pressures and increased domestic liquidity financing of the public sector prevent the central bank from easing monetary policy to support growth.

The central bank cut its policy rate by 50 basis points in November to 12.5%. The IMF said that it would have given greater weight to inflation risks and preferred a more cautious stance. It urged the central bank to focus primarily on counteracting inflation pressures and to strengthen its foreign reserves position.

(Sourced from Dawn.com)

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