



Monetary Policy Information Compendium

March 2011

Consolidated by

Monetary Policy Department

STATE BANK OF PAKISTAN



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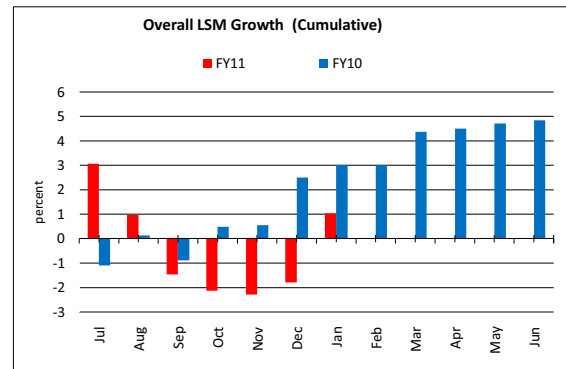
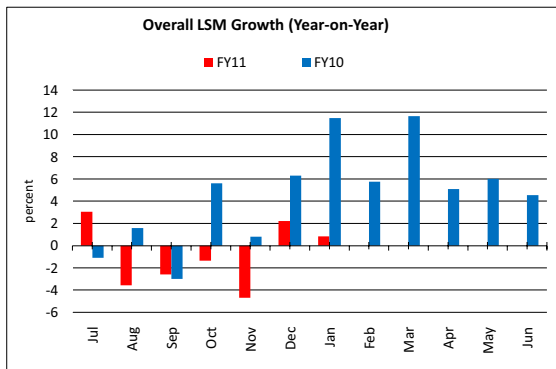
Real Sector

The pace of LSM growth slowed down in January 2011 after showing a sharp recovery in the previous month.

Growth in Large Scale Manufacturing (LSM) Sector

Groups	Weights	YoY changes		Cumulative change during July-January	
		Jan-11	Jan-10	FY11	FY10
Overall	75.1	0.8	11.5	1.0	3.0
Textile	26.4	↓ -0.1	↑ 0.3	↑ 0.0	↓ -0.5
Food, beverages & tobacco	14.4	↑ 9.7	↓ -7.3	↑ 5.0	↓ -3.9
Petroleum products	5.2	↑ 6.5	↓ -9.2	↓ -6.3	↓ -6.5
Pharmaceuticals	5.0	↑ 12.6	↑ 13.7	↑ 1.9	↑ 6.2
Non-metallic mineral products	4.2	↓ -15.6	↑ 16.4	↓ -10.6	↑ 15.9
Automobile	4.0	↑ 9.7	↑ 96.3	↑ 13.6	↑ 23.6
Metal industries	3.5	↑ 36.3	↓ -15.9	↓ -13.9	↓ -26.3
Fertilizer	3.4	↓ -35.1	↑ 156.5	↓ -0.4	↑ 9.1
Chemicals	2.9	↑ 12.7	↓ -6.0	↑ 4.5	↑ 1.6
Electronics	2.5	↓ -25.3	↑ 106.7	↓ -10.3	↑ 4.5
Leather products	2.3	↑ 33.2	↑ 16.7	↑ 27.8	↑ 25.3
Paper and board	0.6	↑ 17.5	↓ -19.8	↑ 6.8	↓ -1.7
Engineering industries	0.4	↓ -42.1	↑ 14.1	↓ -2.6	↓ -9.1
Rubber products	0.3	↑ 15.6	↑ 72.2	↓ -0.5	↑ 31.0
Wood and wood products	0.03	↑ 83.0	↓ -62.3	↓ -0.5	↓ -42.5

Note: Weights of LSM sectors are standardized to 100
Sources: Federal Bureau of Statistics (FBS)



Preliminary estimates by Ministry of Food and Agriculture (MINFA) indicate decline in output of major crops in FY11.

Performance of Major Crops

Crops	Production (million tons)				Area Under Cultivation (million hectares)				Yield (Kg/hectare)		
	FY10	FY11 ^T	FY11 ^P	% change in FY11 ^P over FY10	FY10	FY11 ^T	FY11 ^P	% change in FY11 ^P over FY10	FY11 ^T	FY11 ^P	% change in FY11 ^P over FY10
Cotton*	12.9	14.0	11.7	↓ -9.4	3.1	3.2	3.1	↑ 1.2	745	633	↓ -10.4
Sugarcane	49.4	53.7	49.4	↑ 0.1	0.9	1.1	1.0	↑ 11.0	51,000	47,182	↓ -9.9
Rice	6.9	6.0	5.9	↓ -13.6	2.9	2.7	2.6	↓ -8.4	2,228	2,252	↓ -5.7
Wheat	23.9	25.0	-	-	9.1	9.0	8.9	↓ -2.3	2,764	-	-
Gram	0.6	0.6	-	-	1.1	1.1	-	-	552	-	-
Maize	3.5	3.5	-	-	1.0	1.0	-	-	3,419	-	-

* Cotton production is stated in million bales.

P: Highly provisional ; T: Target

Source: Economic Survey 2009-10, MINFA (Ministry of Food and Agriculture)

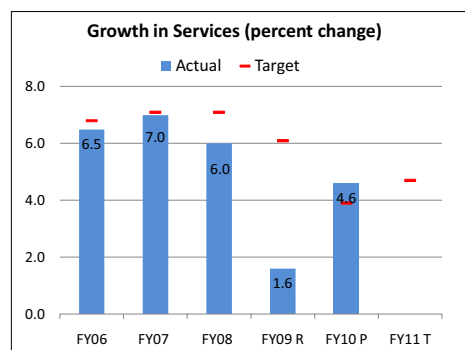
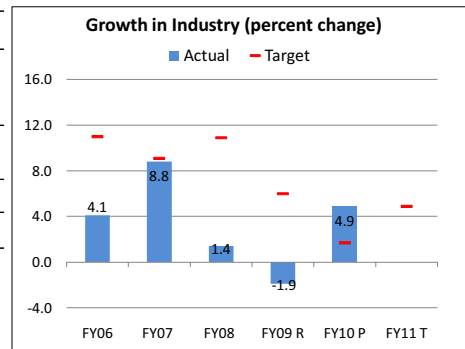
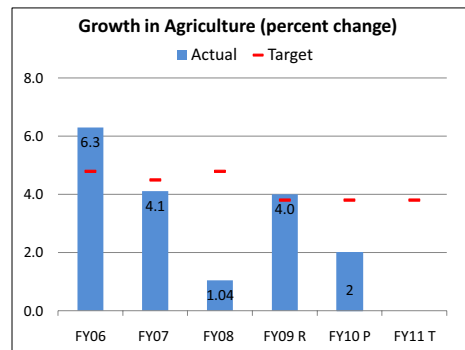
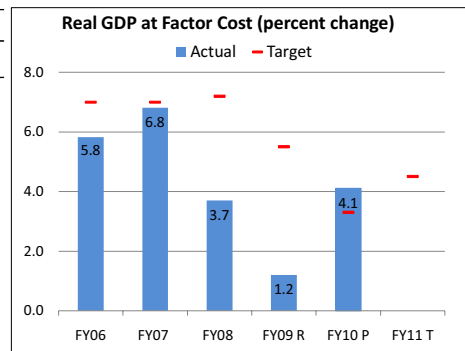
Note: Growth numbers may not tally due to separate rounding off of production data.



The real GDP (fc) grew by 4.1 percent during FY10 against a target of 3.3 percent for the year.

Income Approach- GDP at Constant Factor Cost (fc) of 1999-00, % changes

	FY09 (R)	FY10 (P)		
		Growth	Shares	Contribution
Agriculture of which	4.0	2.0	21.5	0.4
Major crops	7.3	-0.2	7.0	-0.01
Minor crops	-1.6	-1.2	2.4	-0.03
Livestock	3.5	4.1	11.4	0.5
Industry of which	-1.9	4.9	25.2	1.2
Manufacturing	-3.7	5.2	18.5	0.9
Large-scale	-8.2	4.4	12.2	0.5
Small-scale	7.5	7.5	4.9	0.4
Construction	-11.2	15.3	4.3	0.3
Services of which	1.6	4.6	53.3	2.4
Transport & communication	2.7	4.5	10.2	0.5
Wholesale & retail trade	-1.4	5.1	17.1	0.9
Finance & insurance	-7.0	-3.6	5.4	-0.2
Public administration & defence	3.6	7.5	6.3	0.5
Real GDP (fc)	1.2	4.1	100	4.1
Real GDP (mp)	3.6	4.4	-	-
	FY09	FY10^P	FY11^T	
Real GDP (fc, billion Rs)	5,448	5,671	5,929	
Real GDP (fc, billion US\$)	69.3	67.7	-	



Expenditure Approach- GDP at Constant Factor Cost of 1999-00, % changes

	FY09 (R)	FY10 (P)		
		Growth	Shares	Contribution
Consumption	4.3	5.0	82.2	4.0
Private	11.3	3.9	72.6	2.9
Government	-31.5	13.4	9.5	1.2
Fixed capital formation	-11.3	-2.0	14.8	-0.3
Private	-11.1	-5.1	10.6	-0.6
Public plus general government	-11.8	6.5	4.2	0.3
Changes in Stocks	3.6	4.4	1.6	0.1
Net exports of goods and non-factor services	-181.3	59.5	1.4	0.6
Exports of goods and non-factor services	-3.3	14.1	17.1	2.2
Imports of goods and non-factor services	-15.2	11.2	15.7	1.6
GDP (market prices)	3.6	4.4	100	4.4
Less Indirect taxes plus subsidies	75.2	9.0	5.8	-
GDP (fc)	1.2	4.1	94.2	-
Total Domestic Demand*	1.4	3.8	98.6	-

* Domestic demand is equal to GDP (fc) less net exports. P: Provisional; T: Target
Source: Economic Survey 2009-10 R: Revised

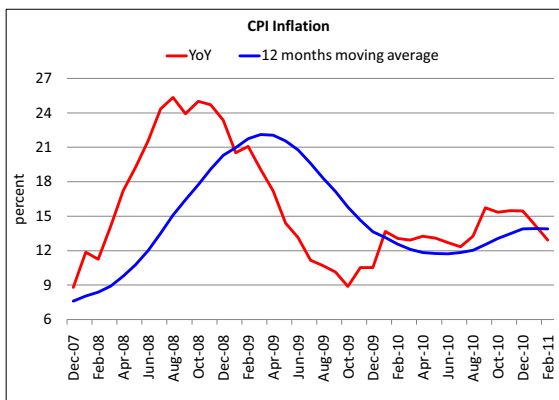


Inflation

The headline CPI inflation (YoY) declined for the second consecutive month in February 2011.

Consumer Price Index (CPI) (percent change)

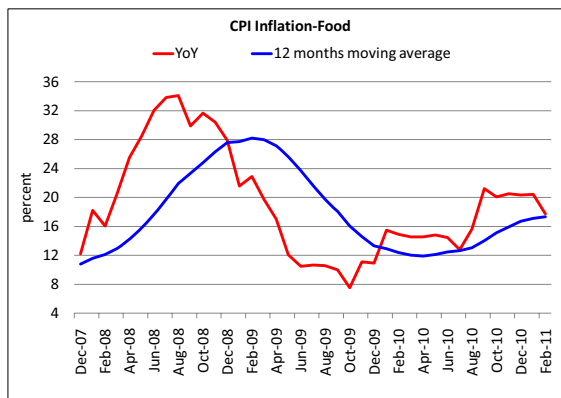
	MoM [*]	YoY [#]	12M moving average
Feb-10	0.4	13.0	12.6
Mar-10	1.3	12.9	12.1
Apr-10	1.7	13.3	11.8
May-10	0.1	13.1	11.8
Jun-10	0.6	12.7	11.7
Jul-10	1.2	12.3	11.8
Aug-10	2.5	13.2	12.0
Sep-10	2.7	15.7	12.5
Oct-10	0.6	15.3	13.1
Nov-10	1.5	15.5	13.5
Dec-10	-0.5	15.5	13.9
Jan-11	1.3	14.2	13.9
Feb-11	-0.7	12.9	13.9
5-year Avg for February (excluding FY11)	0.6	12.2	



Food inflation (YoY) declined in February 2011 after remaining consistently above 20 percent for the last five months.

CPI - Food (40.3% weight in basket) (percent change)

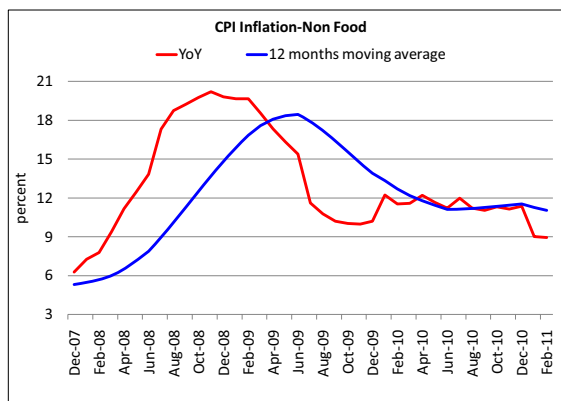
	MoM [*]	YoY [#]	12M moving average
Feb-10	0.1	14.9	12.4
Mar-10	1.8	14.5	12.1
Apr-10	2.0	14.5	11.9
May-10	0.0	14.8	12.1
Jun-10	0.7	14.5	12.5
Jul-10	1.5	12.8	12.6
Aug-10	5.1	15.6	13.1
Sep-10	5.3	21.2	14.0
Oct-10	0.1	20.1	15.1
Nov-10	2.2	20.5	15.9
Dec-10	-1.9	20.4	16.7
Jan-11	2.1	20.4	17.1
Feb-11	-2.1	17.7	17.4
5-year Avg for February (excluding FY11)	0.4	14.3	



Non-food inflation (YoY), on the other hand, has remained almost unchanged at previous month's level.

CPI - Non Food (59.7% weight in basket) (percent change)

	MoM [*]	YoY [#]	12M moving average
Feb-10	0.6	11.5	12.7
Mar-10	0.8	11.6	12.2
Apr-10	1.5	12.2	11.8
May-10	0.1	11.7	11.4
Jun-10	0.6	11.2	11.1
Jul-10	1.0	12.0	11.1
Aug-10	0.3	11.2	11.2
Sep-10	0.3	11.0	11.2
Oct-10	1.1	11.3	11.3
Nov-10	0.9	11.1	11.4
Dec-10	0.8	11.4	11.5
Jan-11	0.6	9.0	11.3
Feb-11	0.5	8.9	11.0
5-year Avg for February (excluding FY11)	0.8	10.6	



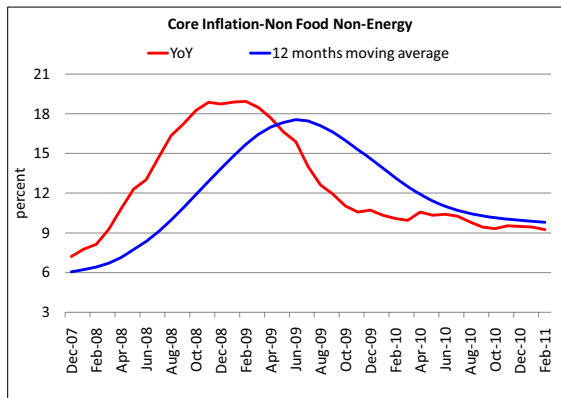
* Month-on-Month
Year-on-Year

Source: Federal Bureau of Statistics



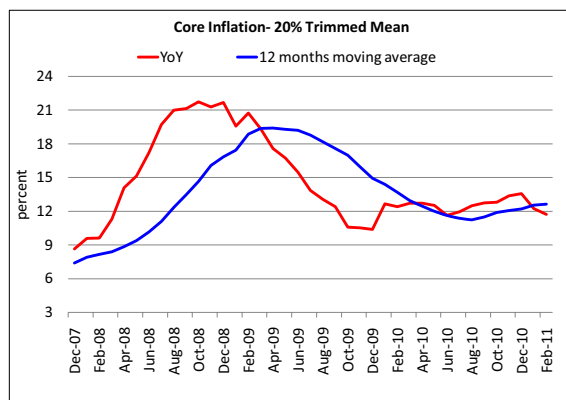
The non-food non-energy (NFNE) measure of core inflation (YoY) declined slightly; yet it remains above 9 percent.

Core - Non-food non-energy (51% weight in basket) (percent change)			
	MoM	YoY	12M moving average
Feb-10	0.8	10.1	13.2
Mar-10	0.8	9.9	12.5
Apr-10	1.7	10.6	11.9
May-10	0.6	10.3	11.4
Jun-10	0.7	10.4	11.0
Jul-10	0.5	10.3	10.7
Aug-10	0.4	9.8	10.5
Sep-10	0.4	9.4	10.3
Oct-10	0.7	9.3	10.1
Nov-10	1.0	9.5	10.1
Dec-10	0.7	9.5	10.0
Jan-11	0.7	9.4	9.9
Feb-11	0.6	9.2	9.8
5-year Avg for February (excluding FY11)	0.8	10.1	



For the first time since June 2010, 20% trimmed mean measure of core inflation (YoY) declined below 12 percent in February 2011.

Core - 20% Trimmed (percent change)			
	MoM	YoY	12M moving average
Feb-10	0.7	12.4	13.7
Mar-10	0.8	12.7	13.0
Apr-10	1.1	12.7	12.5
May-10	0.4	12.5	12.0
Jun-10	0.7	11.7	11.6
Jul-10	0.7	12.0	11.4
Aug-10	0.7	12.5	11.2
Sep-10	0.9	12.8	11.5
Oct-10	1.0	12.8	11.9
Nov-10	1.2	13.4	12.1
Dec-10	0.7	13.6	12.2
Jan-11	0.9	12.2	12.6
Feb-11	0.4	11.7	12.6
5-year Avg for February (excluding FY11)	0.7	11.4	



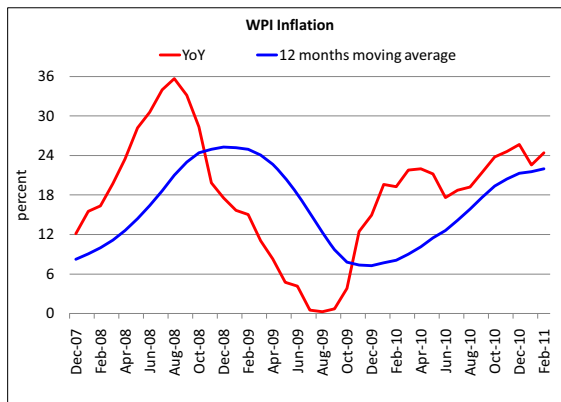
Source: Federal Bureau of Statistics



After showing a slight decline in last month, WPI inflation (YoY) rose in February 2011.

Wholesale Price Index (WPI) (percent change)

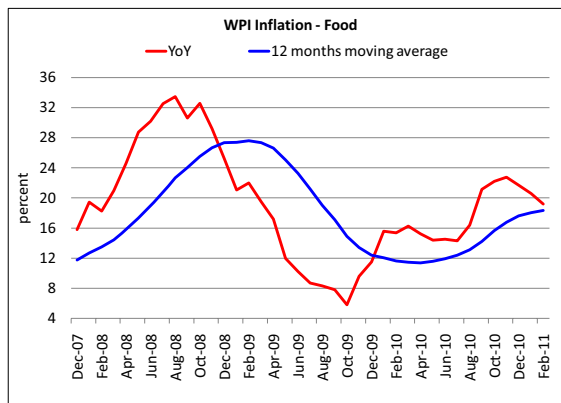
	MoM	YoY	12M moving average
Feb-10	0.4	19.3	8.1
Mar-10	2.5	21.8	9.0
Apr-10	1.8	22.0	10.1
May-10	0.9	21.2	11.5
Jun-10	-0.6	17.6	12.6
Jul-10	1.7	18.7	14.2
Aug-10	2.6	19.2	15.9
Sep-10	2.1	21.5	17.7
Oct-10	3.1	23.8	19.4
Nov-10	3.5	24.7	20.4
Dec-10	1.1	25.7	21.3
Jan-11	1.6	22.6	21.6
Feb-11	1.9	24.4	22.0
5-year Avg for February (excluding FY11)	0.7	13.1	



WPI food inflation (YoY) declined for the second consecutive month; however, it still remains close to 20 percent.

WPI - Food (42.1% weight in basket) (percent change)

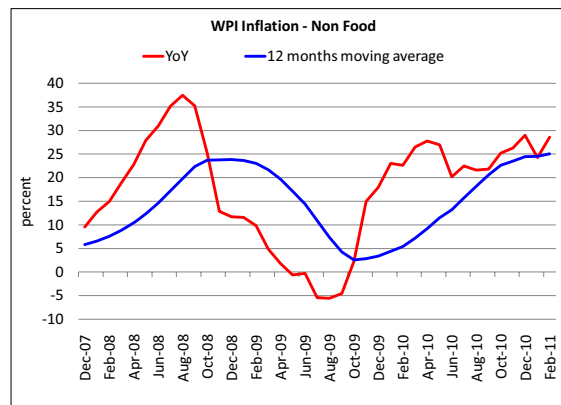
Feb-10	0.5	15.4	11.6
Mar-10	1.7	16.3	11.4
Apr-10	0.7	15.2	11.4
May-10	0.1	14.4	11.6
Jun-10	1.2	14.5	11.9
Jul-10	1.9	14.3	12.4
Aug-10	4.2	16.4	13.1
Sep-10	4.5	21.1	14.2
Oct-10	1.8	22.2	15.6
Nov-10	2.3	22.7	16.8
Dec-10	-1.5	21.7	17.6
Jan-11	1.7	20.6	18.0
Feb-11	-0.6	19.2	18.3
5-year Avg for February (excluding FY11)	0.6	14.3	



WPI non-food inflation (YoY) rose to the previous highest level of December 2010, largely due to increase in fuel prices during February 2011.

WPI - Non Food (57.9% weight in basket) (percent change)

Feb-10	0.2	22.6	5.4
Mar-10	3.2	26.5	7.1
Apr-10	2.7	27.7	9.2
May-10	1.4	26.9	11.5
Jun-10	-2.0	20.1	13.2
Jul-10	1.5	22.5	15.7
Aug-10	1.4	21.6	18.2
Sep-10	0.2	21.8	20.6
Oct-10	4.2	25.1	22.6
Nov-10	4.4	26.2	23.5
Dec-10	3.1	29.0	24.4
Jan-11	1.6	24.2	24.5
Feb-11	3.8	28.6	25.0
5-year Avg for February (excluding FY11)	0.8	12.4	



Sources: Federal Bureau of Statistics



CPI Inflation (YoY) by Groups

Fall in CPI inflation (YoY) during February 2011 is primarily contributed by food group.

Groups	Weights	Feb-11			Jan-11		
		MoM	YoY	12m MA*	MoM	YoY	12m MA*
I. Food Group	40.3	-2.1	17.7	17.4	2.1	20.4	17.1
II. Non-Food Group	59.7	0.5	8.9	11.0	0.6	9.0	11.3
Apparel, Textile etc.	6.1	0.9	12.6	10.2	0.9	12.4	9.6
House Rent	23.4	0.7	6.5	8.4	0.7	6.6	8.9
Fuel and Lighting	7.3	0.2	9.1	17.5	0.8	8.8	18.3
Furniture etc.	3.3	0.9	10.7	8.3	1.0	10.4	7.9
Transport etc.	7.3	0.5	12.3	15.9	0.1	13.0	15.8
Recreation etc.	0.8	0.1	10.5	13.2	0.0	14.2	12.7
Education	3.5	0.1	5.2	7.3	0.3	5.3	7.9
Cleaning, Laundry etc.	5.9	0.2	10.4	10.2	0.3	10.7	10.2
Medicare	2.1	0.5	16.3	12.2	1.2	16.2	11.4
Overall	100	-0.7	12.9	13.9	1.3	14.2	13.9

SPI inflation (WoW) has remained higher during the last four weeks relative to previous weeks.

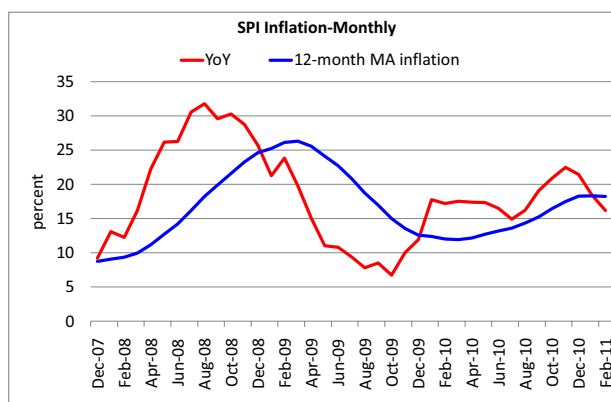
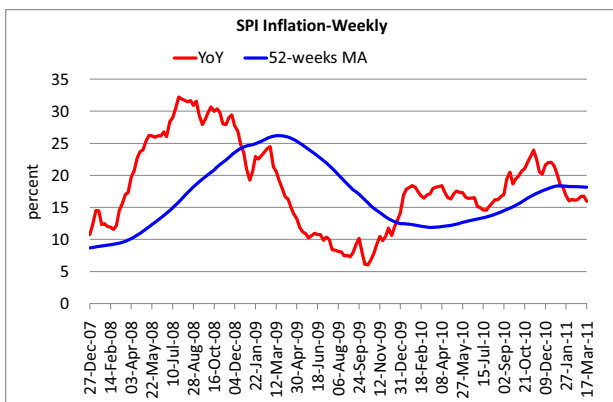
Sensitive Price Indicator (SPI) (percent change)

Income Groups	Percent change (WoW)				Feb-11		
	Current	Last week	Two weeks ago	Three weeks ago	MoM	YoY	12m MA*
	17-Mar-11	10-Mar-11	3-Mar-11	24-Feb-11			
Up to Rs 3000	0.08	0.59	0.16	0.24	-1.1	16.8	18.1
Rs 3001-5000	0.01	0.54	0.19	0.27	-1.2	16.2	17.9
Rs 5001-12000	-0.10	0.49	0.34	0.34	-1.1	15.9	17.8
Above Rs 12000	-0.24	-0.01	1.28	0.40	-0.9	15.2	18.3
All	-0.16	0.25	0.80	0.40	-1.0	16.2	18.2

Sources: Federal Bureau of Statistics

WoW: Week on Week

*These changes are calculated on the basis of 12 month average of CPI over the 12 month average of preceding year.





Balance of Payments

Supported by higher export receipts and steady increase in remittances, the current account balance turned into surplus in February 2011.

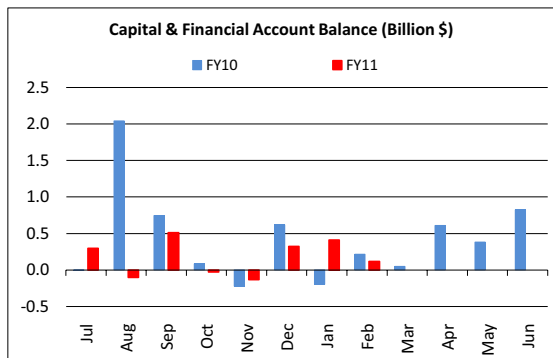
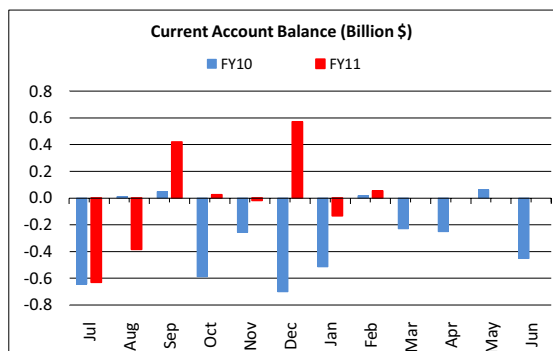
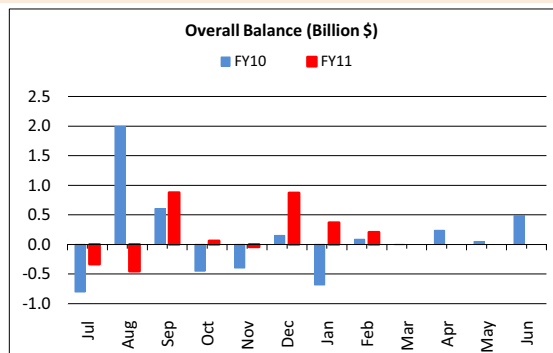
Balance of Payments Summary (million \$)

Items	Feb-11	Jul-Feb		FY10
		FY11	FY10	
A) Current account	53	-98	-3,027	-3,946
1. Trade balance	-724	-7,163	-7,564	-11,536
Exports	2,282	15,454	12,493	19,673
Imports	3,006	22,617	20,057	31,209
2. Services (net)	-192	-927	-1,645	-1,690
Receipts	359	3,795	2,827	5,229
Payments	551	4,722	4,472	6,919
3. Income (net)	-228	-1,872	-1,989	-3,282
Receipts	42	446	359	561
Payments	270	2,318	2,348	3,843
4. Current transfers (net)	1,197	9,864	8,171	12,562
Receipts: of which	1,202	9,907	8,234	12,672
Remittances	845	6,963	5,787	8,906
Payments	5	43	63	110
B) Capital and financial account: of which	119	1,407	3,036	5,274
1. Foreign investment	36	1,202	900	2,010
FDI (net) ²	36	970	1,204	2,075
FPI	0.0	232	-304	-65
2. Foreign long term loans	187	391	1,651	2,210
Disbursements	310	1,644	2,700	4,085
Amortization	123	1,253	1,049	1,875
C) Errors & omissions	34	242	487	-62
Overall balance (A+B+C)	206	1,551	496	1,266
SBP gross reserves¹	15,663	15,663	12,070	13,953

¹ These include sinking funds (earmarked for specific purposes) and foreign currency holdings of SBP, and exclude claim on RBI.

² Net FDI inflows equals direct investment in Pakistan less direct investment made by Pakistan abroad.

Source: Statistics & Data Warehouse Department (S&DWD), SBP



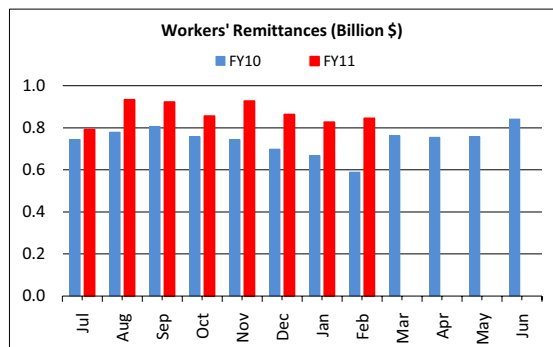
Remittances continue to show robust growth during FY11 so far.

Workers' Remittances² (million \$)

	Feb-11	Jul-Feb		FY10
		FY11	FY10	
Total: of which	845	6,963	5,786	8,906
USA	153	1,298	1,173	1,771
UK	101	771	596	876
Saudi Arabia	210	1,563	1,149	1,918
UAE	190	1,627	1,318	2,039
GCC ³	99	820	827	1,238
Others	93	884	723	1,064

² Only cash, ³ Kuwait, Qatar, Bahrain and Oman

Source: Statistics & Data Warehouse Department (S&DWD), SBP



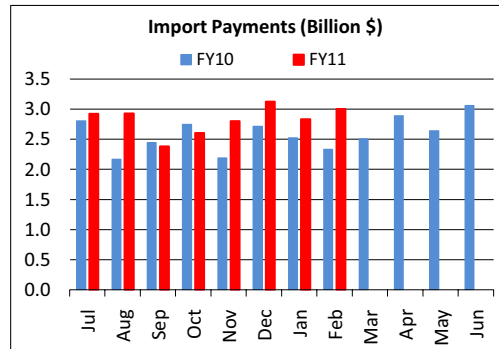
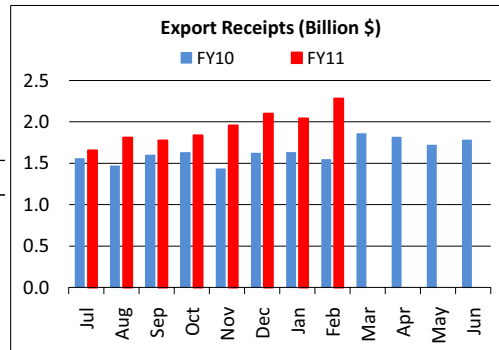
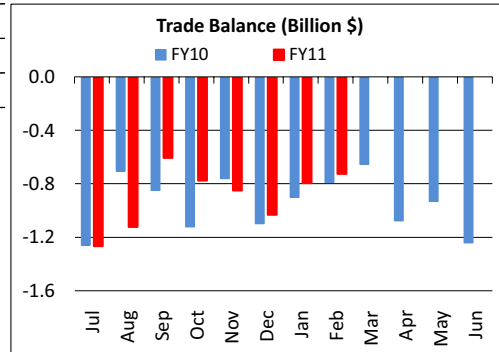


Trade

Relatively higher increase in export receipts compared to import payments helped in narrowing down trade deficit in February 2011.

Trade in Goods -Major Groups (million \$)

	Feb-11	Jul-Feb		Shares ¹
		FY11	FY10	FY10
Exports	2,282	15,454	12,493	100
Textile group	1,056	7,970	6,574	52
Cotton cloth	189	1,474	1,205	10
Knitwear, bedwear	387	3,009	2,379	19
Readymade garments	85	662	637	4
Other manufactures group	328	2,588	2,182	17
Leather items ²	70	568	440	4
Chemical and pharma	73	624	491	4
Cement	40	307	335	2
Engineering goods	31	274	191	2
Food group	356	2,274	2,026	15
Rice	170	1,376	1,273	9
All Others	541	2,621	1,711	17
Imports	3,007	22,617	20,057	100
Petroleum group	1,297	7,358	6,720	33
Petroleum products	828	5,111	4,252	23
Petroleum crude	469	2,246	2,468	10
Machinery group	268	2,691	2,649	12
Power machinery	27	492	570	2
Electrical machinery	32	349	374	2
Agri. & other chemicals group	428	3,516	3,538	16
Fertilizer manufactured	20	320	699	1
Plastic materials	115	885	712	4
Food group	329	3,325	1,869	15
Palm oil	111	1,219	812	5
Sugar	18	644	136	3
Metal group	118	1,337	1,281	6
Iron steel (IS) & IS scrap	95	1,050	1,018	5
All Others	568	4,391	3,999	19

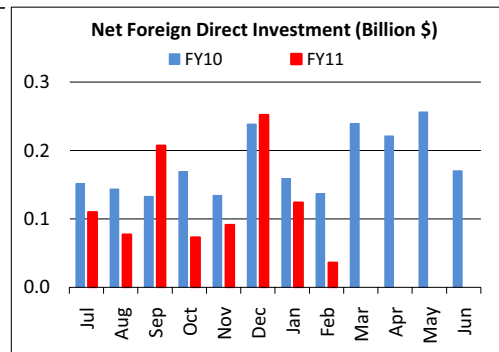


¹ Share=group(item)/total, based on FY10 value; ² Include tanned and manufactured leather

FDI inflows fell to the lowest level in February 2011 during FY11 so far.

Foreign Direct Investment inflows in Pakistan (million \$)³

	Feb-11	Jul-Feb		FY10
		FY11	FY10	
Total: Of which	43	990	1,265	2,151
Major countries				
USA	8	151	311	468
UAE	11	169	128	243
UK	10	138	136	295
Netherlands	-9	-24	178	279
Major sectors				
Communication	-45	32	108	291
Financial service	7	121	103	163
Oil & gas exploration	29	326	425	741
Power	18	105	38	-121
Trade	3	31	56	117



³ The numbers in this table show gross FDI inflows and therefore may not match with the numbers in Balance of Payments table.

Source: Statistics & Data Warehouse Department (S&DWD), SBP

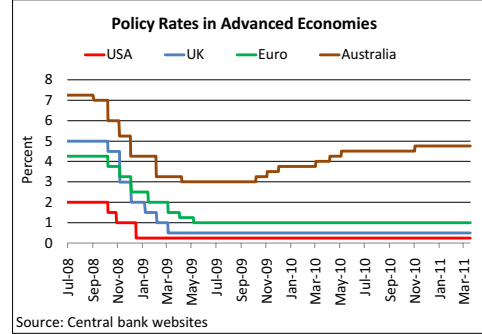


Global Economy

In recent months, central banks from both developed and emerging economies have raised their policy rates to counter strengthening inflationary pressures.

Policy Rates in Major Economies

Major Economies	Current Policy Rate	Previous	Changed On	Change (bps)
USA*	0.25	1.00	Dec 16 2008	↓ -75
UK	0.50	1.00	Mar 05 2009	↓ -50
ECB	1.00	1.25	May 07 2009	↓ -25
Japan*	0.10	0.30	Dec 20 2008	↓ -20
Canada	1.00	0.75	Sep 08 2010	↑ 25
Australia	4.75	4.50	Nov 02 2010	↑ 25
China	6.06	5.81	Feb 08 2011	↑ 25
India	6.75	6.50	Mar 17 2011	↑ 25
South Korea	3.00	2.75	Mar 10 2011	↑ 25
Malaysia	2.75	2.50	Jul 08 2010	↑ 25
Indonesia	6.75	6.50	Feb 04 2011	↑ 25
Thailand	2.50	2.25	Mar 09 2011	↑ 25

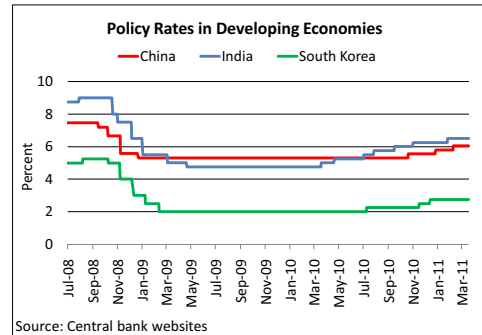


Source: Central bank websites

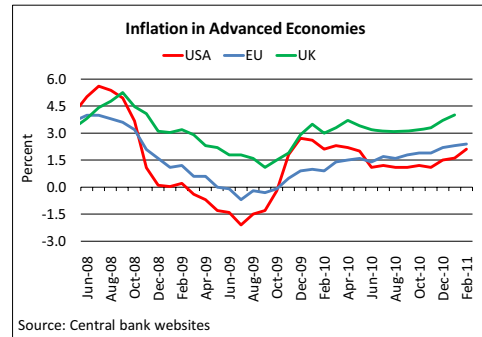
GDP grew moderately in most of the countries during fourth quarter of 2010.

Key Macroeconomic Indicators

	Inflation (YoY) ¹	GDP growth ²	Current account balance	Fiscal balance
	Feb-11		as a percentage of GDP	
USA	2.1	2.7 (Q4-10)	-3.1 (Q3-10)	-8.8 (Q3-10)
UK	4.0 (Jan-11)	1.4 (Q4-10)	-1.9 (Q3-10)	-8.7 (Q3-10)
Euro Area	2.4	2.0 (Q4-10)	-0.6 (Q3-10)	-5.2 (Q2-10)
Japan	0.0 (Jan-11)	2.2 (Q4-10)	3.5 (Q3-10)	-7.4 (Q2-10)
Australia	2.7 (Q4-10)	2.7 (Q4-10)	-2.3 (Q3-10)	-
China	4.9	9.8 (Q4-10)	4.3 (Q3-10)	4.3 (Q2-10)
India	9.3 (Jan-11)	8.2 (Q4-10)	-3.7 (Q2-10)	-5.3 (Q3-10)
Sri Lanka	7.8	8.0 (Q3-10)	-	-
South Korea	4.5	4.8 (Q4-10)	4.1 (Q3-10)	2.8 (Q2-10)
Malaysia	2.4 (Jan-11)	4.8 (Q4-10)	12.6 (Q3-10)	-
Indonesia	6.8	6.9 (Q4-10)	1.3 (Q3-10)	-
Thailand	2.8	3.8 (Q4-10)	0.1 (Q3-10)	-1.0 (Q3-10)



Source: Central bank websites

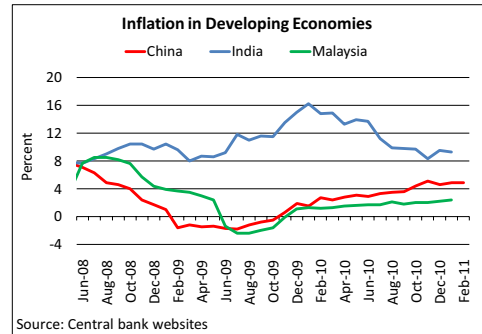


Source: Central bank websites

The IMF and World Bank estimates show the global economic growth to moderate in 2011.

World Economic Outlook - Real GDP Growth

	2010 (IMF Estimated)	2011 Projections		
		IMF (Jan-11)	World Bank (Jan-11)	OECD (Nov-10)
World output	5.0	4.4	3.3	-
Advance	3.0	2.5	2.4	-
US	2.8	3.0	2.8	2.2
Euro area	1.8	1.5	1.4	1.7
Japan	4.3	1.6	1.8	1.7
UK	1.7	2.0	-	1.7
Emerging & Developing	7.1	6.5	6.0	-
Russia	3.7	4.5	4.2	4.2
China	10.3	9.6	8.7	9.7
India	9.7	8.4	8.4	8.2
ASEAN-5	6.7	5.5	-	-



Source: Central bank websites

* US Federal Reserve and Bank of Japan are currently operating under an interest rate bands of 0 to 0.25 percent and 0 to 0.1 percent respectively.
Sources: Bloomberg, IMF, OECD, The Economist and Central Bank Websites.



International commodity prices have been consistently rising since July 2010.

World Commodity Price Indices (2005=100)

	Feb-11	% change since		
		Last month	End Jun-10	
Global CPI	189.6	↑ 4.43	↑ 36.34	
Food CPI	195.1	↑ 5.15	↑ 39.38	
Commodity non-fuel CPI	204.9	↑ 4.36	↑ 48.65	
Metal CPI	254.5	↑ 4.38	↑ 68.34	
Crude oil (\$/bbl)	97.7	↑ 5.47	↑ 30.78	
Palm oil (\$/m. ton)	1248.6	↑ 0.81	↑ 63.23	
Soya bean Oil (\$/m. ton)	1268.4	↑ 0.89	↑ 54.49	
Wheat (\$/m. ton)	348.2	↑ 6.62	↑ 120.81	
Gold spot (\$/Oz)	1375.1	↑ 5.90	↑ 13.62	
Sugar (US cents/pound)	40.6	↑ 2.34	↑ 41.07	

Source: IMF-IFS

Most of the international capital markets fell sharply during the past few weeks.

Capital Market Indices

	Latest -Mar 18, 2011	% change since		
		Last month	End Jun-10	
US (DJIA)	11858.5	↓ -2.2	↑ 21.3	
DJ EURO STOXX	2792.6	↑ 3.1	↑ 8.5	
UK (FTSE 100)	5718.1	↓ -4.7	↑ 16.3	
Japan (Nikkei 225)	9206.8	↓ -12.5	↓ -1.9	
China (SSEA)	2906.8	↑ 0.1	↑ 13.4	
France (CAC 40)	3810.2	↓ -7.3	↑ 10.7	
Germany (DAX)	6664.4	↓ -8.4	↑ 11.7	
India (BSE)	17878.8	↑ 1.0	↑ 3.3	
World dev'd (MSCI) ³	1260.2	↓ -5.2	↑ 29.5	
Emerging markets (MSCI) ³	1096.3	↑ 0.0	↑ 41.8	
World all (MSCI) ³	324.0	↓ -4.6	↑ 31.0	

¹ Inflation is YoY percent changes in CPI.

² Growth is measured as percentage change over the same quarter of previous year.

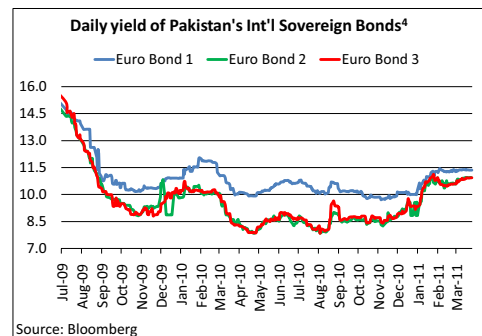
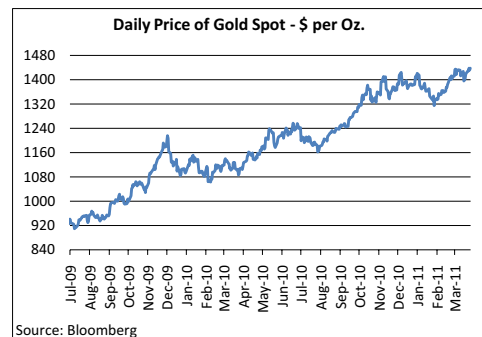
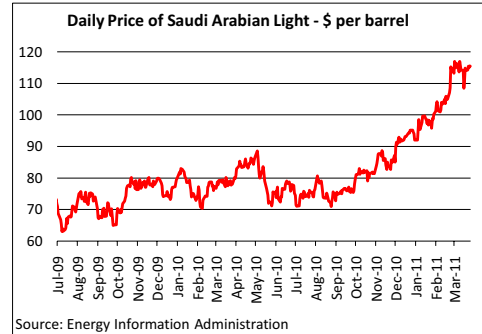
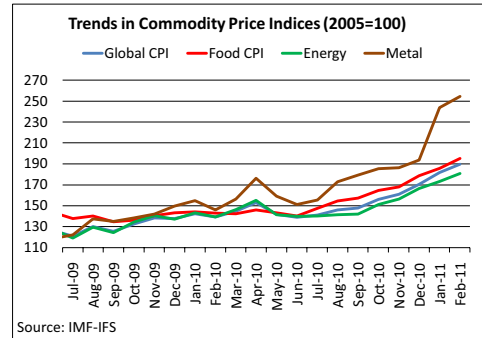
³ March 16, 2011

⁴ Euro Bond 1= \$300 M (30 Yr US T bill+302 bps=>7.875%): Issued-3/24/2006: Maturity-3/23/2036

Euro Bond 2= \$750 M (10 Yr US T bill+200 bps=>6.875%): Issued-6/1/2007: Maturity-5/31/2017

Euro Bond 3= \$500 M (10 Yr US T bill+240 bps=>7.125%): Issued-3/24/2006: Maturity-3/23/2016

Sources: Bloomberg, IMF, OECD, The Economist and Central Bank Websites





Revenues, Expenditures and Fiscal Balances

Despite an improvement in tax collection in Q2-FY11, the overall fiscal position during H1-FY11 remained weak.

Revenues (billion Rs)

	FY11		FY10
	BE ¹	(Jul-Dec)	
Total revenues	2,574	990	2078
Tax revenue	-	722	1473
Growth (YoY) %	-	9.5	10.7
of which: FBR revenues*	1,667	642	1327
Non-tax revenues	-	268	605
Growth (YoY) %	-	6.9	16.4

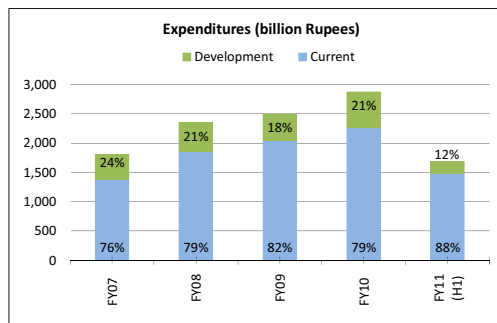
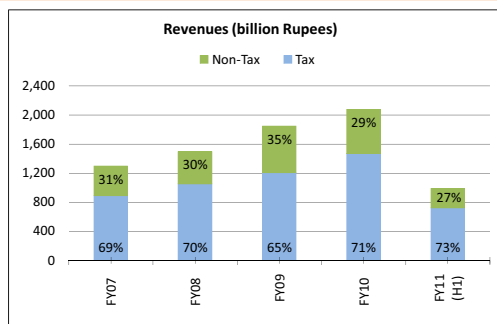
* The total FBR tax revenues during July-June FY10 are Rs1327 billion.

Expenditures (billion Rs)

	FY11		FY10
	BE ¹	(Jul-Dec)	
Total expenditures	3,258	1480	3007
Current ²	-	1227	2354
Growth (YoY) %	-	19.1	13.4
Interest payments	-	310	642
Defence	-	215	375
Development & net lending	-	208	653
Growth (YoY) %	-	-13.2	43.2

Overall Balance (billion Rs)

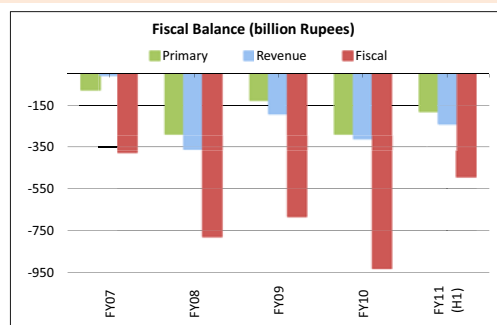
	FY11		FY10
	BE ¹	(Jul-Dec)	
Fiscal Balance³	-685	-490	-929
Revenue Balance ⁴	-	-237	-276
Primary Balance ⁵	-	-180	-287



Unlike last year, the government is largely relying on banking system to finance fiscal deficit instead of non-bank sources.

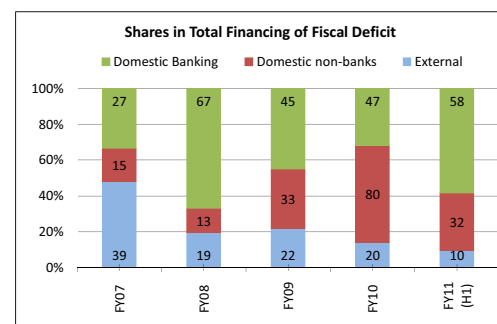
Financing of Fiscal Deficit (billion Rs)

	FY11		FY10
	BE ¹	(Jul-Dec)	
Financing	685	490	929
1. External	186	47	189
2. Domestic: of which	499	443	740
Non-bank	333	157	436
Banking system: of which	166	286	305
Schedule Banks	166	206	263
SBP	0	80	42
Privatization proceeds	-	-	-



FBR Tax Collection (billion Rs)

	Direct	Sales	Customs	FED ⁶	Total taxes
Feb-10	35	41	11	9	97
Mar-10	50	42	16	10	118
Apr-10	46	46	14	11	117
May-10	37	48	14	12	110
Jun-10	101	51	21	18	191
Jul-10	18	41	11	7	77
Aug-10	26	52	12	10	100
Sep-10	52	41	14	9	116
Oct-10	34	47	12	10	104
Nov-10	33	46	13	11	103
Dec-10	79	55	17	10	161
Jan-11	36	48	14	11	108
Feb-11	32	49	14	9	104
Jul-Feb FY11⁷	310	378	108	78	874
Jul-Feb FY10	292	329	95	75	791



Sources: Ministry of Finance (MoF), Federal Board of Revenue (FBR) and State Bank of Pakistan (SBP)

¹ Budget Estimates, As announced in the Federal Budget for FY11; ² Inclusive of unidentified expenditure; ³ Fiscal balance = total revenue - total expenditure; ⁴ Revenue balance = total revenue - current expenditure; ⁵ Primary balance = total revenue - total expenditure + interest payment; ⁶ Federal excise duty; ⁷ FY11 data is provisional

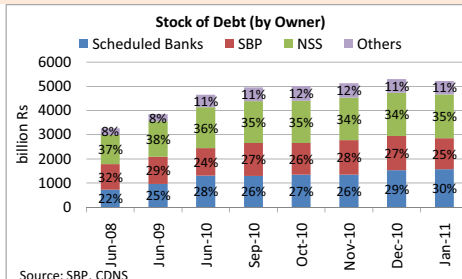


Government Domestic Debt

While domestic debt continues to accumulate due to high fiscal deficit, government's reliance on domestic sources of financing has started to shift away from SBP to scheduled banks.

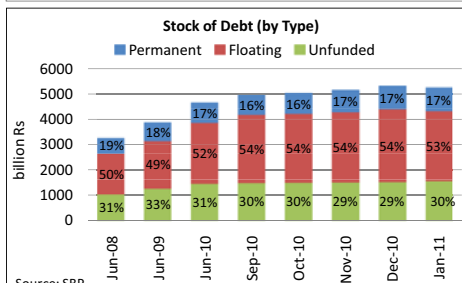
Debt by Owner - end period stocks (billion Rs)

	Jan-11	Change		FY10
		Jul-Jan FY11		
Bank	2,855.4	415.6		2,439.9
Commercial banks	1,573.0	261.2		1,311.8
SBP	1,282.4	154.3		1,128.1
Non-bank	2,370.8	159.8		2,211.1
National Saving Schemes (NSS)	1,812.9	119.4		1,693.5
Others	557.9	40.4		517.5
Foreign Currency Instruments ¹	1.6	-1.5		3.1
Total	5,227.8	573.8		4,654.0



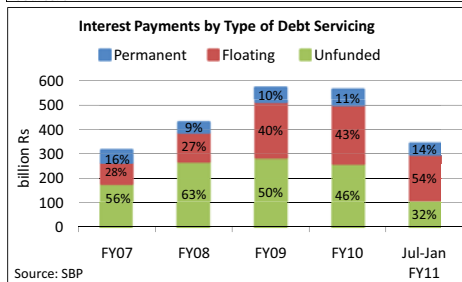
Debt by Type - end period stocks (billion Rs)

	Jan-11	Change		FY10
		Jul-Jan FY11		
Long term	2,470.5	218.7		2,251.8
Permanent: of which	912.4	118.1		794.3
PIBs	522.1	16.8		505.3
Prize bonds	254.9	18.9		236.0
Unfunded: of which	1,558.1	100.6		1,457.5
NSS ²	1,446.7	99.9		1,346.8
Short term (floating): of which	2,755.7	356.6		2,399.1
MTBs	1,476.5	249.0		1,227.4
MRTBs-replenishment	1,279.3	107.6		1,171.7
Foreign Currency Instruments	1.6	-1.6		3.1
Total	5,227.8	573.8		4,654.0



¹ It includes FEBCs, FCBCs, DBCs and special USD bonds held by the residents.

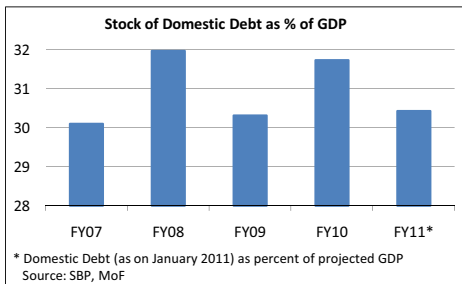
² NSS include certificates and saving accounts only.



Increase in debt servicing during Jul-Jan FY11 is largely due to increase in requirements for servicing of short-term floating debt (particularly T-bills) raised at higher rates.

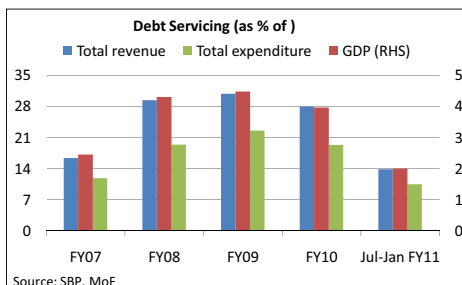
Debt Servicing (billion Rs)

	Jan-11	Jul-Jan			FY10
		FY11	FY10	% change	
Permanent ³	4.4	47.2	43.4	8.8	80.6
Floating	30.8	185.4	104.7	77.0	241.1
Unfunded	19.4	110.6	161.7	-31.6	259.7
Total	54.6	343.2	309.8	10.8	581.4



Indicators of Domestic Debt Sustainability

	Debt Stock as % of GDP				
	FY07	FY08	FY09	FY10 ⁴	FY11 ⁵
	30.1	32.0	30.3	31.7	30.4
Debt Servicing as % of					
	FY07	FY08	FY09	FY10	FY11 ⁶
GDP	2.4	4.3	4.5	4.0	2.0
Total revenue	16.3	29.4	30.8	28.0	13.8
Tax revenue	23.8	41.9	47.3	39.5	18.2
Total expenditure	11.8	19.3	22.5	19.3	10.4
Current expenditure	15.4	23.8	27.9	24.4	11.8



³ Includes Prize bonds; ⁴ Provisional; GDP Based on the Economic Survey 2009-10.

⁵ Debt stock (as on January 2011) as percent of projected GDP for FY11.

⁶ Debt Servicing during Jul-Jan FY11 as percent of projected GDP, revenue and expenditure.

Sources: Central Directorate of National Savings (CDNS), SBP and Ministry of Finance (MoF) ^P: Provisional figures



External Debt

Stock of external debt has increased during H1-FY11 mainly due to loans from multilateral institutions and Paris club.

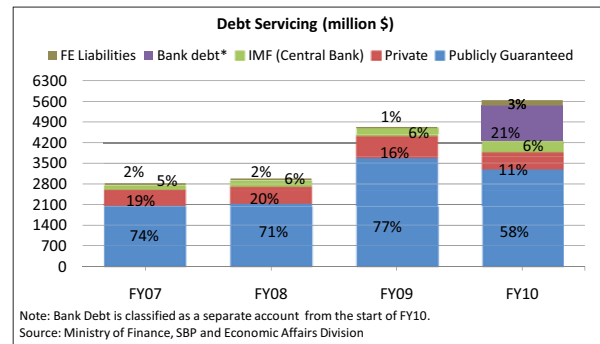
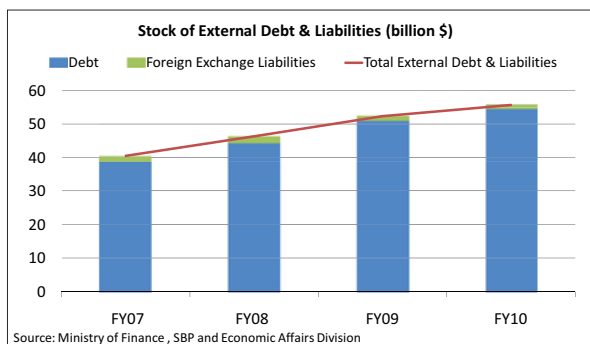
Debt & Liabilities - end period stocks (million \$)				Debt Servicing (million \$)		
Items	Dec-10 ¹	FY10 ¹	Change	Items	H2-FY11	FY10 ¹
1. Public debt (a+b+c)	54,637	52,107	2,530	1. Public debt (a+b+c)	1,463	3,672
a) Government Debt	44,801	42,908	1,893	a) Government debt	1,214	3,134
i) Medium and long term (>1 yr)	43,938	42,115	1,823	Principal	827	2,403
Paris club	14,942	13,958	984	Interest	388	731
Multilateral	24,613	23,694	919	b) From IMF	219	359
Other bilateral	1,803	1,782	21	Principal	132	240
Euro/Sukuk global bonds	1,550	1,550	0	Interest	86	120
Military debt	167	167	0	c) Foreign exchange liabilities	30	178
Commercial loans/credits	0	0	0	Principal	22	152
Local currency bonds (TBs & PIBs)	63	64	-1	Interest	8	27
Saudi fund for development. (SFD)	200	200	0	2. PSEs guaranteed debt	124	157
SAFE China deposits	500	500	0	Principal	114	123
NBP/BOC deposits	100	200	-100	Interest	10	34
ii) Short term (<1 yr)	863	793	70	3. PSEs non-guaranteed debt	131	297
IDB	863	793	70	Principal	119	270
b) From IMF	8,736	8,077	659	Interest	12	27
i) Federal government	1,922	1,055	867	4. Scheduled banks' borrowing	2,352	1,204
ii) Central bank	6,814	7,022	-208	Principal	2,347	1,196
c) Foreign exchange liabilities (FEL)	1,100	1,122	-22	Interest	5	8
2. PSE guaranteed debt	66	159	-93	5. Private guaranteed debt	0	51
3. PSE non-guaranteed debt ²	1,044	1,087	-43	6. Private non-guaranteed debt	146	383
4. Scheduled banks' borrowing	228	193	35	Principal	117	325
i) Medium and long term (>1 yr)	112	118	-6	Interest	29	58
ii) Short term (<1 year)	116	75	41	7. Private non-guaranteed bonds	5	23
5. Private guaranteed debt	0	0	0	Principal	0	13
6. Pvt. non-guaranteed debt (>1 yr)	2,294	2,231	63	Interest	5	10
7. Private non-guaranteed bonds	124	124	0	Total external debt servicing		
Total external debt (excl. FEL)	57,293	54,779	2,515	(1+2+3+4+5+6+7)	4,220	5,787
Total external debt & liabilities				Principal	3,678	4,772
(1+2+3+4+5+6+7)	58,393	55,901	2,493	Interest	542	1,015

¹Provisional ² Data revised from July 2009 due to enhanced coverage of PSEs

Debt stock as a percent of GDP has slightly declined in FY10.

Indicators of External Debt Sustainability

Debt Stock as % of	FY06					FY07					FY08					FY09					FY10				
	FY06	FY07	FY08	FY09	FY10	FY06	FY07	FY08	FY09	FY10	FY06	FY07	FY08	FY09	FY10	FY06	FY07	FY08	FY09	FY10	FY06	FY07	FY08	FY09	FY10
GDP	28.7	27.5	29.9	32.6	31.8	2.4	2.1	1.8	2.8	3.2	23.7	19.0	26.6	37.8	33.4	18.9	17.5	15.9	26.4	29.1					
Reserves	273.5	249.3	390.1	408.5	322.4																				
Exports	218.2	229.8	233.4	285.5	281.2																				



Sources: Economic Affairs Division and SBP



Total Debt

Increase in both the domestic and external debt contributed towards the rise in total debt stock.

Total Debt Stock (billion Rs)

	Dec-10	FY10	Change (Dec-10 over Jun-10)	Share
Total debt & liabilities (I+II)	11,054.7	10,221.1	833.6	100.0
Total debt	10,596.2	9,710.7	885.5	95.9
Domestic debt	5,685.4	5,029.1	656.4	51.4
Government domestic debt	5,294.7	4,654.0	640.7	47.9
PSEs domestic debt	390.7	375.0	15.7	3.5
External debt ¹	4,910.7	4,681.6	229.1	44.4
Government external debt	3,839.9	3,667.1	172.9	34.7
Debt from IMF	748.8	690.3	58.5	6.8
PSEs external debt	95.2	106.5	-11.3	0.9
Private sector external debt	226.8	217.8	9.0	2.1
Total liabilities	458.6	510.4	-51.9	4.1
Domestic liabilities ²	364.3	414.6	-50.3	3.3
External liabilities ¹	94.3	95.9	-1.6	0.9

Total Debt Servicing (billion Rs)

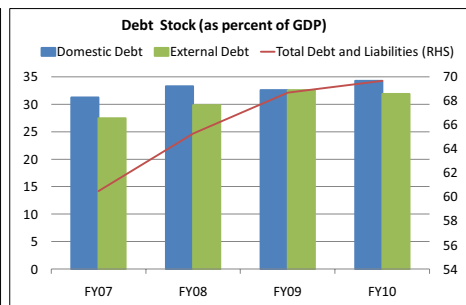
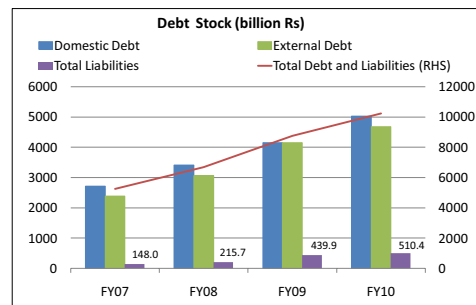
	July-Dec FY11	FY10
Total debt servicing	673.3	1082.5
Total interest payment	357.8	678.9
Domestic	282.9	577.7
Foreign ³	45.9	83.6
External liabilities ³	0.6	2.3
Domestic liabilities	28.4	15.3
Repayment of principal (foreign) ³	315.5	403.6

Debt stock (as percent of GDP⁴)

	FY07	FY08	FY09	FY10
Total debt & liabilities	60.5	65.3	68.7	69.7
Total debt	58.8	63.2	65.2	66.2
Government domestic debt	30.1	32.0	30.3	31.7
PSEs domestic debt	1.2	1.3	2.3	2.6
External debt	27.5	29.9	32.6	31.9
Total liabilities	1.7	2.1	3.5	3.5

Debt servicing (as a percent of)

	FY07	FY08	FY09	FY10
Tax revenue	60.5	64.7	68.4	73.5
Total revenue	41.5	45.3	49.1	52.1
Total expenditure	32.1	29.9	38.6	36.0
Current expenditure	39.2	36.6	45.4	45.4
GDP ⁴	6.2	6.6	7.4	7.4



¹ Rupee value of external debt computed by applying the corresponding end period average exchange rate to the end-period stock; ² Includes commodity operation loans to provincial governments and PSEs borrowing for commodity operations; ³ Converted from USD to rupee term, using period average exchange rate; ⁴ On the basis of provisional GDP for FY10

Source: CDNS, Ministry of Finance, Economic Affairs Division and SBP



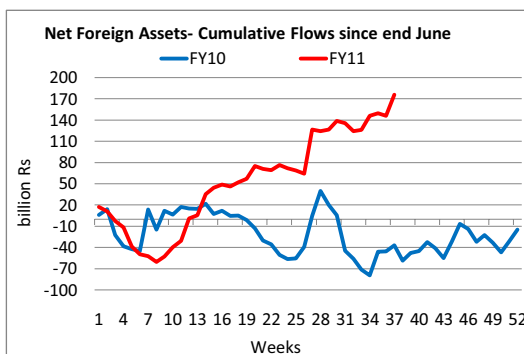
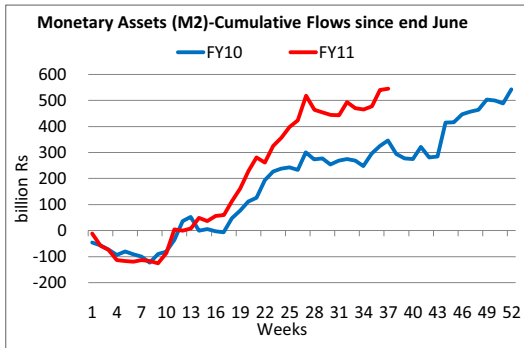
Monetary and Credit Aggregates

Expansion in broad money supply (M2) mainly reflects a considerable accumulation in NFA of the banking system.

Monetary Assets of Banking System

(billion Rs)

	End June 2010 Stocks	Cumulative Flows since end June		FY10
		Latest week	A year ago	
		12-Mar-11	13-Mar-10	
NFA	545.3	176.2	-37.1	49.4
NDA	5232.0	369.3	382.2	590.6
Government borrowings: of wh.	2440.9	321.2	249.4	406.6
Budgetary borrowing	2011.5	438.3	312.1	330.4
Commodity operations	413.2	-120.7	-61.7	77.0
Non-govt. sect. borrowings: of wh.	3388.8	215.8	223.5	198.8
Private sector	3019.8	188.1	146.7	112.9
PSEs	351.4	27.3	76.9	85.0
Other items (net)	-597.8	-167.6	-90.8	-14.9
M2	5777.2	545.5	345.1	640.0

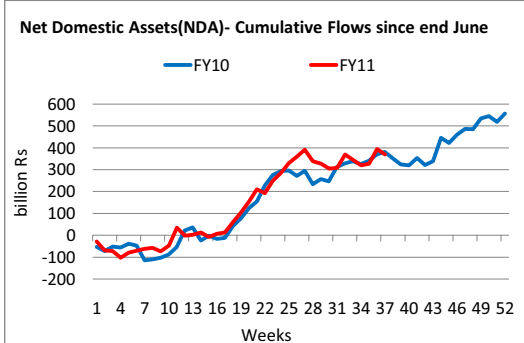


Monetary Liabilities of Banking System

Currency in circulation	1295.4	275.2	188.8	143.2
Total deposits with banks	4475.2	264.7	147.7	494.8
Demand deposits with banks	3594.1	184.8	100.8	387.6
Time deposits with banks	535.7	53.9	-0.7	42.1
RFCDs with banks	345.4	26.1	47.6	65.1
M2	5777.2	545.5	345.1	640.0

Percent Growth in Monetary Assets of Banking System

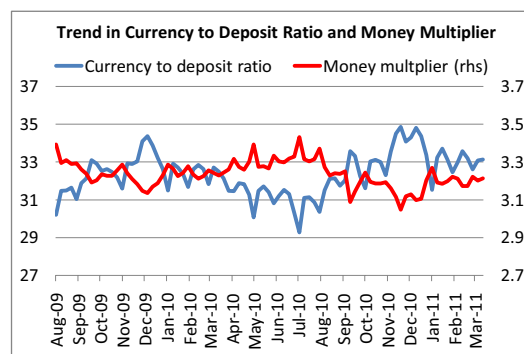
	YoY (12-Mar-11)	Since end June		FY10
		12-Mar-11	13-Mar-10	
NFA	57.3	32.3	-7.5	10.0
NDA	11.5	7.1	8.2	12.7
Government borrowings	20.9	13.2	12.3	20.0
Budgetary borrowing	35.2	21.8	7.8	19.7
Commodity operations	-10.9	-29.2	-2.4	22.9
Non-government sector borrowings	5.6	6.4	6.8	6.2
Private sector	5.1	6.2	4.3	3.9
PSEs	10.3	7.8	34.9	31.9
Other items (Net)	7.2	28.0	18.1	2.5
M2	15.3	9.4	6.6	12.5



Memorandum Items

(billion Rs)

	Latest week	A year ago	FY10
	12-Mar-11	13-Mar-10	
Money multiplier	3.2	3.2	3.4
Currency to deposit ratio	33.1	32.5	29.0
M2 to GDP ratio	40.1	40.7	39.4
Private sector credit to GDP ratio	20.6	22.6	20.6



*All FY11 numbers are provisional; Source: Statistics & Data Warehouse Department (S&DWD), SBP

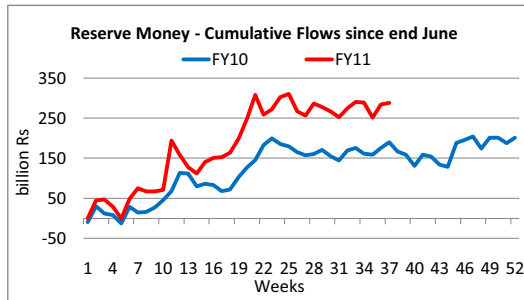


Expansion in reserve money was contributed largely by a significant improvement in SBP's NFA.

Monetary Assets of SBP

(billion Rs)

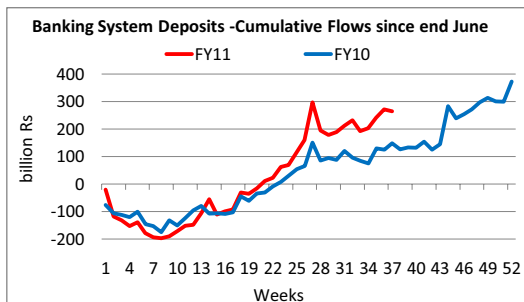
	End June 2010 Stocks	Cumulative Flows		FY10 (Provisional)
		Latest week	A year ago	
		12-Mar-11	13-Mar-10	
NFA	378.7	160.6	-43.8	75.9
NDA: of which	1300.6	127.6	233.9	95.9
Budgetary borrowing	1208.7	109.6	141.7	44.0
Other items (net)	-231.0	-0.7	76.2	42.3
Net Impact of OMOs/Discounting	7.7	30.2	52.9	3.1
Reserve money	1679.3	288.2	190.0	171.7



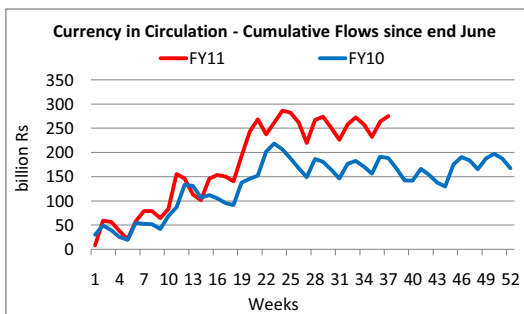
Monetary Liabilities of SBP

(billion Rs)

	End June 2010 Stocks	Cumulative Flows		FY10
		Latest week	A year ago	
		12-Mar-11	13-Mar-10	
Currency in circulation	1295.4	275.2	188.8	143.2
Cash in tills	87.7	-5.3	-11.9	10.7
Bank deposits with SBP (reserves)	289.6	12.7	4.6	15.8
Other deposits with SBP	6.7	5.6	8.6	2.0



	YoY (12-Mar-11)	Percent growth		FY10
NFA of the SBP	108.2	42.4	-14.5	25.0
NDA of the SBP: of which	-0.7	9.8	19.4	8.0
Budgetary borrowing	0.9	9.1	12.2	3.8
Other items (net)	17.5	0.3	-27.9	-15.5
Reserve money	15.9	17.2	12.6	11.4

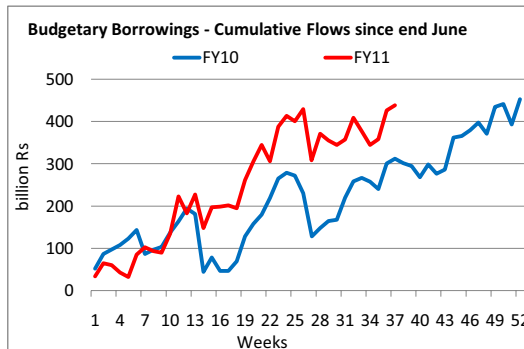


Government met the shortfall in financing of fiscal deficit through increased borrowing from both SBP and scheduled banks.

Details on Government Borrowing for Budgetary Support

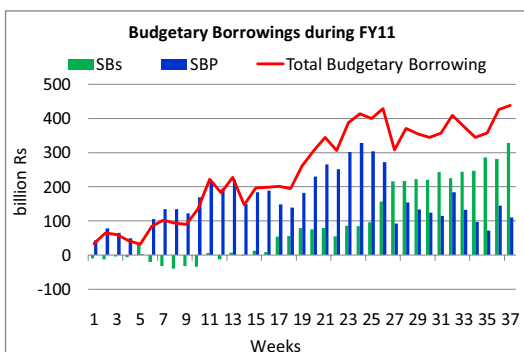
(billion Rs)

	End June 2010 Stocks	Cumulative Flows		FY10
		Latest week	A year ago	
		12-Mar-11	13-Mar-10	
Budgetary Borrowing	2011.5	438.3	312.1	330.4
Federal government	2188.8	477.5	299.7	339.7
From SBP	1141.7	152.7	123.8	30.1
SBP's Holdings of MRTBs	1124.9	171.4	1193.1	17.1
From SBs	1047.0	324.8	175.9	309.5
Provincial governments	-177.3	-39.2	12.4	-9.2
From SBP	66.9	-43.1	18.0	13.9
From SBs	-244.2	3.9	-5.5	-23.1



Memorandum Items

Cash basis	1934.6	444.1	1399.5	304.6
SBP	1171.4	116.0	1275.4	41.9
SBs	763.1	328.2	124.2	262.6

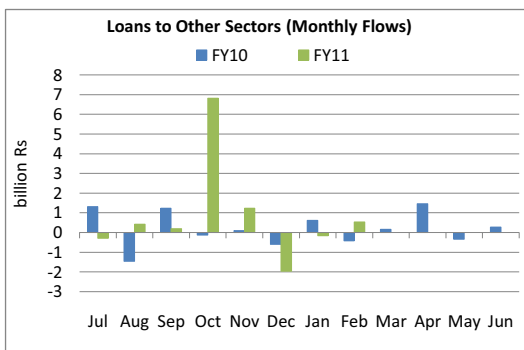
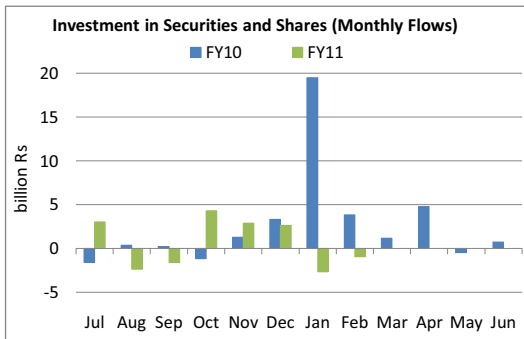
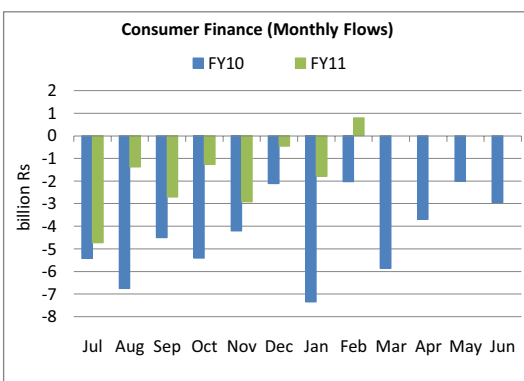
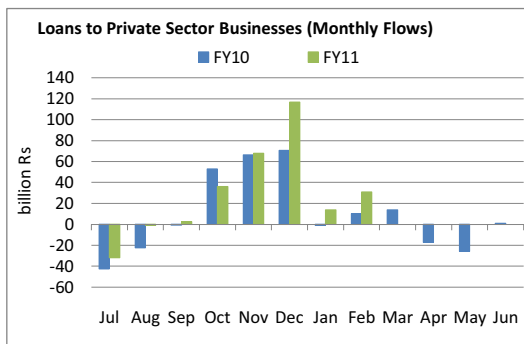




Increase in private sector credit during Jul-Feb FY11 is broadly in line with improvement in real economic activity and higher input prices.

Credit to Private Sector

	End June 2010 Stocks	Flows during (billion Rs)		
		Jul-Feb-FY11	Jul-Feb-FY10	FY10
Total credit to private sector	3020.3	215.9	137.9	113.0
1. Loans to private sector businesses	2258.5	235.0	133.8	105.5
By type				
Working capital: <i>of which</i>	1418.7	229.7	84.5	40.6
Export finance	239.8	37.5	26.6	12.0
Import finance	105.0	30.5	-3.7	11.1
Fixed investment	839.9	5.3	49.4	64.9
By Sectors: of which				
Agriculture	169.5	↑ 2.3	↑ 6.0	↑ 7.0
Manufacturing: of which	1263.6	↑ 206.3	↑ 92.4	↑ 31.8
Textiles	470.2	↑ 119.6	↑ 37.4	↓ -12.8
Food products & beverages	214.3	↑ 69.4	↑ 42.5	↑ 10.8
Chemicals & products	156.8	↓ -7.3	↑ 9.9	↑ 19.2
Non-metallic mineral products	102.7	↑ 6.9	↑ 2.2	↑ 0.7
Wearing apparel, readymade gar.	48.1	↑ 5.1	↑ 0.8	↓ -0.3
Electricity, gas and water	215.5	↑ 25.9	↑ 38.7	↑ 61.1
Construction	67.1	↑ 1.1	↓ -1.6	↓ -3.9
Commerce and trade	229.7	↓ -15.8	↓ -4.4	↓ -4.0
Transport, storage and comm.	105.1	↑ 2.4	↓ -0.2	↑ 7.8
Services: of which	161.2	↑ 8.8	↑ 4.0	↑ 11.7
Real estate/renting & business act.	113.2	↑ 13.1	↑ 1.8	↑ 6.0
2. Personal: of which	321.5	↓ -16.7	↓ -33.1	↓ -42.7
Consumer financing	242.0	↓ -14.5	↓ -37.8	↓ -49.5
3. Investment in securities and shares	145.1	↑ 5.3	↑ 25.7	↑ 31.9
4. Others	295.2	↓ -7.7	↑ 11.5	↑ 18.3





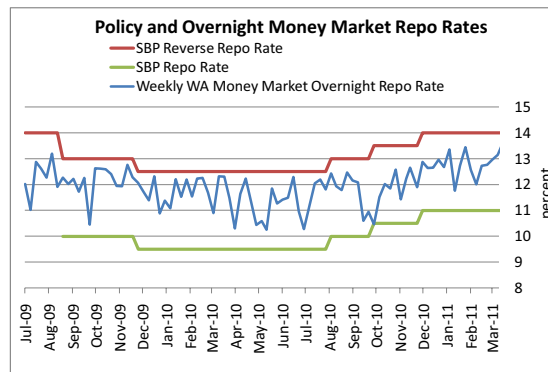
Money Market

SBP kept the policy rate unchanged in the last monetary policy review on 29th January 2011.

	Policy Instruments (%)				
	Current	w.e.f	Previous	w.e.f	Change ¹
SBP reverse repo rate	14.0	30-Nov-10	13.5	30-Sep-10	↑ 50
SBP repo rate	11.0	30-Nov-10	10.5	30-Sep-10	↑ 50
CRR on DL and TL < 1 year	5.0	1-Nov-08	6.0	18-Oct-08	↓ -100
CRR on TL > 1 year	0.0	4-Aug-07	3.0	19-Jan-07	↓ -300
SLR on DL and TL < 1 year	19.0	24-May-08	18.0	22-Jul-06	↑ 100
Islamic banks	9.0	24-May-08	8.0	22-Jul-06	↑ 100
SLR on TL > 1 year	0.0	18-Oct-08	19.0	24-May-08	↓ -1900
Islamic banks	0.0	18-Oct-08	9.0	24-May-08	↓ -900

¹ Basis points

DL: Demand Liabilities; TL: Time Liabilities



Banks' holding of excess cash reserves with SBP increased considerably during the week ending on 17th February 2011 compared last month.

	Weekly Cash Reserve Requirements ¹ (billion Rs)			
	Week Ended		Change since	
	Current	Last month	17-Feb-11	20-Nov-09 ²
	10-Mar-11	17-Feb-11		
Cash Required	202.0	209.6	↓ -7.6	↑ 33.0
Cash Maintained	209.8	209.8	↑ 0.0	↑ 34.9
Excess Cash Reserves (per day)	7.8	0.2	↑ 7.6	↑ 1.9

¹ Weekly CRR is the proportion of total time and demand liabilities that schedule banks are required to maintain with SBP in the form of cash on average during the week (Friday to Thursday). The data is reported by Off-site Supervision and Enforcement Department with a lag of about 1-2 weeks.

² As on Friday preceding the monetary policy decision of a change in policy rate.

	Weighted Average O/N Market Repo Rate Trends (%)				
	01-Jul-2010 - 24-Mar-2011				
	Q1	Q2	Q3	Q4	YTD
W.A.O/N Repo Rate ¹	11.68	12.10	12.93	-	12.18
Standard Deviation	0.61	0.61	0.63	-	0.76
CoV ²	0.05	0.05	0.05	-	0.06

	01-Jul-2009 - 30-June-2010				
	Q1	Q2	Q3	Q4	YTD
	W.A. O/N Repo Rate	12.08	12.1	11.72	11.11
Standard Deviation	0.60	0.58	0.59	0.71	0.71
CoV ²	0.05	0.05	0.05	0.06	0.06

¹ Weekly Weighted Average O/N Repo Rate

² Coefficient of Variation

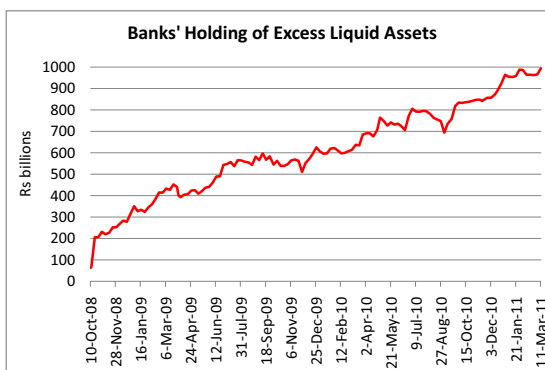
Bank's holding of excess securities (over and above required under SLR) continues to rise.

	Overall Reserve Requirement (billion Rs)				
	As of	Current Last Month		Change since	
		11-Mar-11	18-Feb-11	18-Feb-11	4-Oct-08
Required Reserves	936.9	937.0	↓ -0.1	↓ -23.0	
Cash ¹	201.2	201.4	↓ -0.2	↓ -73.2	
Securities ²	735.7	735.6	↑ 0.1	↑ 50.2	
Maintained	1930.2	1900.7	↑ 29.6	↑ 911.4	
Cash	311.2	327.3	↓ -16.1	↓ -77.7	
Cash in Tills	97.5	99.3	↓ -1.8	↑ 9.5	
Balance with SBP	198.2	212.1	↓ -13.8	↓ -90.4	
Balance with NBP	15.4	15.9	↓ -0.5	↑ 3.3	
Securities	1583.0	1537.4	↑ 45.6	↑ 969.9	
Others ³	36.0	35.9	↑ 0.1	↑ 19.2	
Excess of Liquid Assets⁴	993.3	963.7	↑ 29.6	↑ 934.4	

Source: Off-site Supervision and Enforcement Department, SBP

¹ Required under weekly average CRR

² Required under SLR



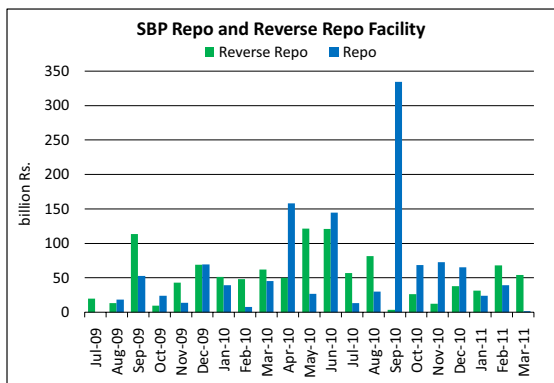
³ Includes Section 13(3) deposits and share capital of MFBs.

⁴ Includes excess securities + cash and other assets maintained.



Bank's use of SBP reverse repo facility has gradually increased in the last two months.

	SBP Reverse Repo		SBP Repo	
	Amount	Days	Amount	Days
	billion Rs	No.	billion Rs	No.
FY10	724.2	54	578.5	49
Q1	147.2	12	71.6	8
Q2	121.8	11	107.4	15
Q3	162.1	17	93.3	11
Q4	293.1	14	306.3	15
FY11	318.8	30	673.3	57
Q1	142.2	13	402.3	21
Q2	77.1	10	207.2	26
Jan	31.5	3	24.4	5
Feb	68.2	4	39.4	5
Mar	144.9	6.0	1.7	1.0

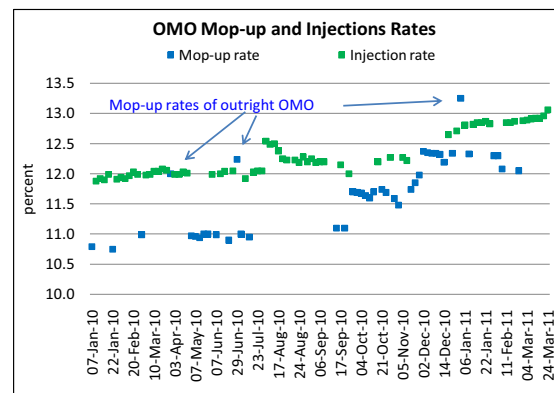
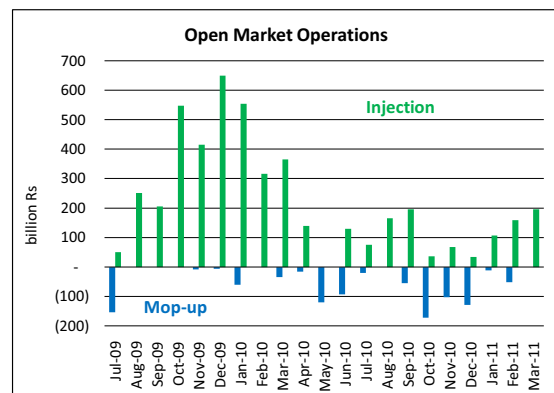


*Updated upto 25th March 2011

Source: Domestic Markets & Monetary Management Department, SBP

Net OMO injections during the last two months also indicate that banking system is facing liquidity constraint.

	Open Market Operations (billion rupees) [#]			Outstanding OMOs	
	Mop-up	Injection	Net Mop-up*	Amount	Maturity
FY10	489.7	3,621.0	(3,131.3)	-	-
Q1	153.6	506.9	(353.4)	-	-
Q2	14.3	1,610.7	(1,596.4)	-	-
Q3	93.8	1,234.9	(1,141.1)	-	-
Q4	228.0	268.5	(40.5)	-	-
FY11	540.2	801.0	(260.9)	-	-
Jul	20.5	75.1	(54.6)	-	-
Aug	-	165.1	(165.1)	-	-
Sep	54.4	196.1	(141.7)	-	-
Oct	171.5	36.9	134.7	-	-
Nov	102.5	67.6	34.9	-	-
Dec	128.6	34.1	94.5	-	-
Jan	11.5	106.9	(95.4)	-	-
Feb	51.2	119.4	(68.2)	-	-
Mar	-	195.9	(195.9)	-	-
4-Mar	-	28.5	(28.5)	28.5	11-Mar
7-Mar	-	11.0	(11.0)	39.4	11-Mar
11-Mar	-	39.9	(39.9)	39.4	18-Mar
14-Mar	-	23.1	(23.1)	63.0	18-Mar
18-Mar	-	46.5	(46.5)	46.5	25-Mar
25-Mar	-	47.0	(47.0)	47.0	1-Apr



Updated upto 25th March 2011

*Note: (-) amount means net injection
(+) amount means net mop-up

Source: Domestic Markets & Monetary Management Department, SBP



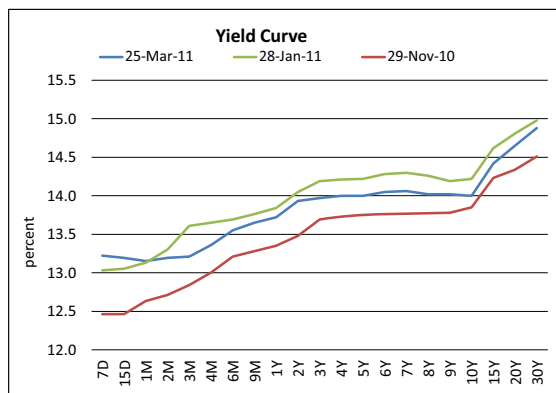
The Yield curve shifted downward as market rates rationalized after the policy rate was kept unchanged against the markets expectation of a hike.

Pak Rupee Revaluation (PKRV) Rates¹ (%)

Tenors	Current	last month	Change since last policy rate change*	
	25-Mar-11	25-Feb-11		29-Nov-10
1-week	13.22	13.02	↑	76
2-week	13.19	12.95	↑	73
1-month	13.15	12.98	↑	52
3-month	13.21	13.35	↑	37
6-month	13.55	13.60	↑	34
9-month	13.65	13.67	↑	37
1-year	13.72	13.78	↑	37
2-year	13.93	14.07	↑	45
3-year	13.97	14.18	↑	28
5-year	14.00	14.21	↑	25
7-year	14.06	14.29	↑	29
10-year	14.00	14.20	↑	15
20-year	14.65	14.77	↑	31
30-year	14.88	14.97	↑	37

Source: Financial Market Association of Pakistan

* In basis points



¹ It is secondary market yield-to-maturity used by banks to revalue their holding of securities (i.e. mark to market).

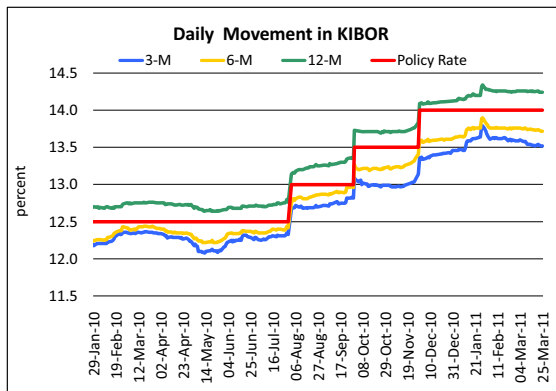
KIBOR, after rising in anticipation of hike in policy rate during end January 2011, has decreased due to SBP's decision of maintaining the status quo.

Tenor-wise KIBOR (%)

Tenors	Current	last month	Change since last policy rate change*	
	25-Mar-11	25-Feb-11		29-Nov-10
1-Week	13.67	13.23	↑	70
2-Week	13.62	13.29	↑	65
1-Month	13.56	13.33	↑	53
3-Month	13.52	13.60	↑	38
6-Month	13.72	13.76	↑	31
9-Month	14.12	14.14	↑	39
12-Month	14.24	14.25	↑	41
2-Year	14.34	14.35	↑	42
3-Year	14.44	14.45	↑	42

Source: SBP and Financial Market Association of Pakistan

* In basis points

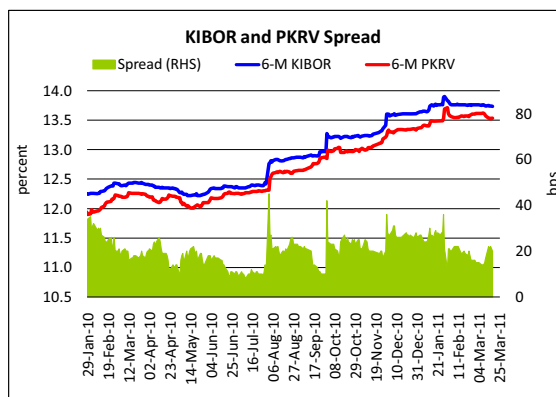


The spread between 6-month KIBOR and 6-month PKRV rates has decreased since the last policy rate change.

KIBOR and PKRV Spread (basis points)

Tenors	Current	last month	Change since last policy rate change	
	25-Mar-11	25-Feb-11		29-Nov-10
1-Week	45	21	↓	-6
2-Week	43	34	↓	-8
1-Month	41	35	↑	1
3-Month	31	25	↑	1
6-Month	17	16	↓	-3
9-Month	47	47	↑	2
12-Month	52	47	↑	4
2-Year	41	28	↓	-3
3-Year	47	27	↑	14

Sources: SBP

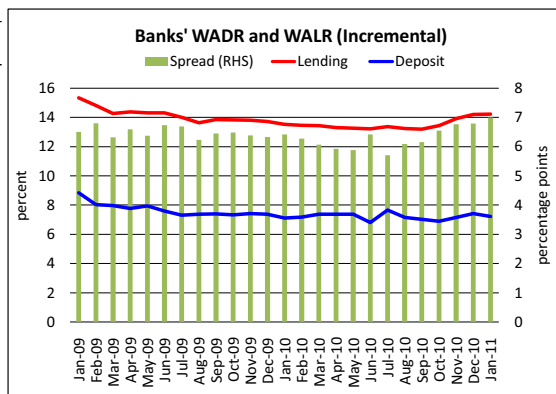




The spread between the WALR and WADR increased primarily due to the decline in the deposit rates, while the change in the Lending rate is insignificant.

Weighted average Lending and Deposit Rates (percent per annum)

Months	Incremental ¹			Outstanding		
	WALR	WADR	Spread (bps)	WALR	WADR	Spread (bps)
Jan-10	13.53	7.11	642	13.35	6.10	725
Feb-10	13.46	7.18	628	13.38	6.07	731
Mar-10	13.44	7.37	607	13.40	6.10	730
Apr-10	13.30	7.37	593	13.42	6.03	739
May-10	13.25	7.37	588	13.40	6.05	735
Jun-10	13.22	6.80	642	13.39	5.79	760
Jul-10	13.36	7.65	571	13.35	5.84	751
Aug-10	13.24	7.15	609	13.38	5.82	756
Sep-10	13.19	7.03	616	13.34	5.77	757
Oct-10	13.43	6.88	655	13.32	5.83	749
Nov-10	13.92	7.15	677	13.42	5.88	754
Dec-10	14.20	7.41	679	13.52	5.91	761
Jan-11	14.22	7.22	700	13.59	6.02	757

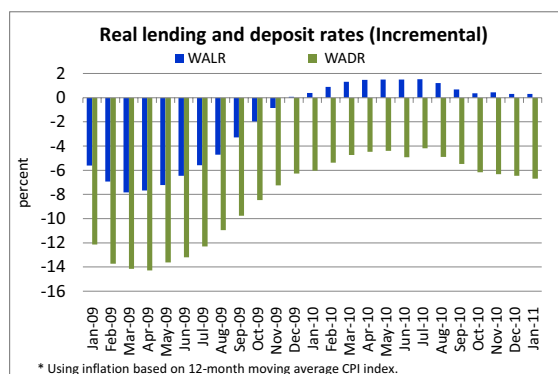


Source: Statistics & Data Warehouse Department, SBP ¹Weighted average rates on incremental (fresh) loans or deposits during a month.

Real lending and deposit rates declined in January 2011 mainly due to relatively lower increase in nominal rates.

Months	Real (based on 12-month MA inflation) ¹		Real (based on YoY inflation) ²	
	WALR	WADR	WALR	WADR
Jan-10	0.38	-6.04	-0.15	-6.57
Feb-10	0.89	-5.39	0.42	-5.86
Mar-10	1.32	-4.75	0.53	-5.54
Apr-10	1.46	-4.47	0.04	-5.89
May-10	1.50	-4.38	0.18	-5.70
Jun-10	1.49	-4.93	0.53	-5.89
Jul-10	1.53	-4.18	1.02	-4.69
Aug-10	1.20	-4.89	0.01	-6.08
Sep-10	0.67	-5.49	-2.52	-8.68
Oct-10	0.37	-6.18	-1.90	-8.45
Nov-10	0.44	-6.33	-1.56	-8.33
Dec-10	0.32	-6.47	-1.26	-8.05
Jan-11	0.30	-6.70	0.03	-6.97

Sources: Statistics & Data Warehouse Department, SBP & Federal Bureau of Statistics



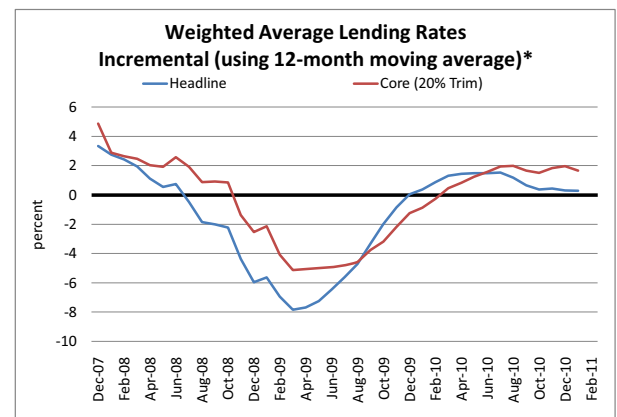
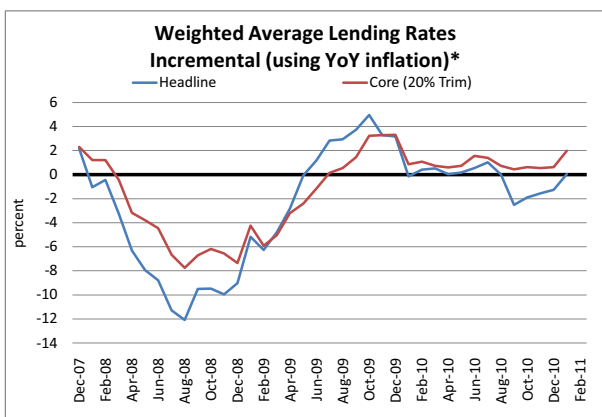
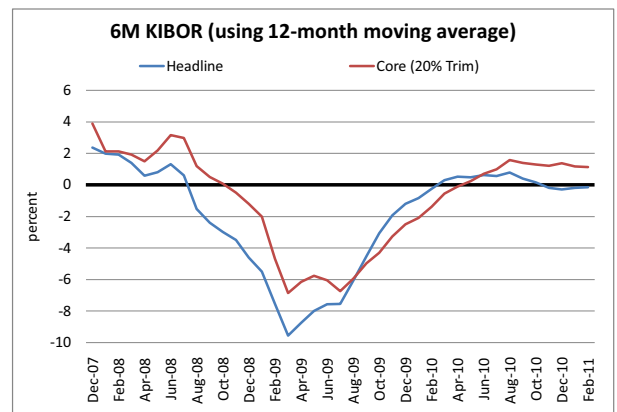
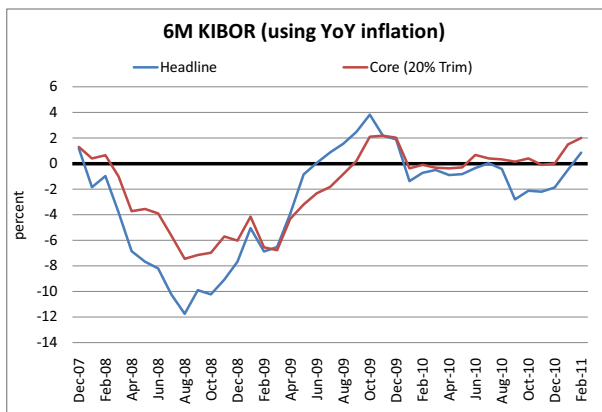
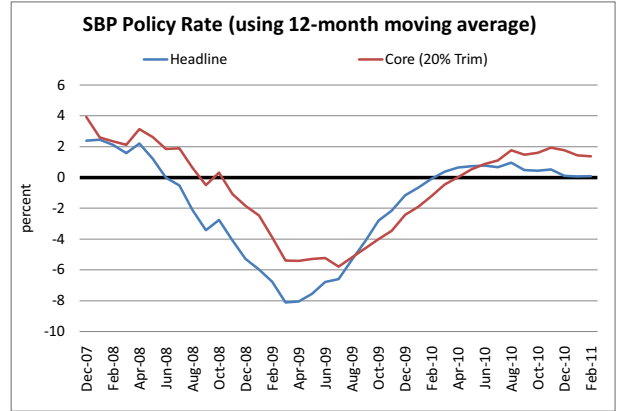
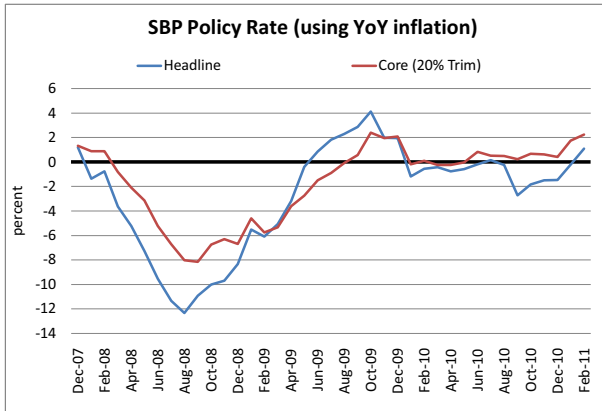
* Using inflation based on 12-month moving average CPI index.

¹ Nominal rate less CPI inflation (12-month moving average).

² Nominal rate less CPI inflation (year on year).



Real Interest Rates



* Weighted average lending and deposit rates for the month of February 2011 are not available.

Sources: FBS and Statistics & Data Warehouse Department, SBP



No change in the SBP policy rate has led the banks to diversify their investment in all tenors of T-bills.

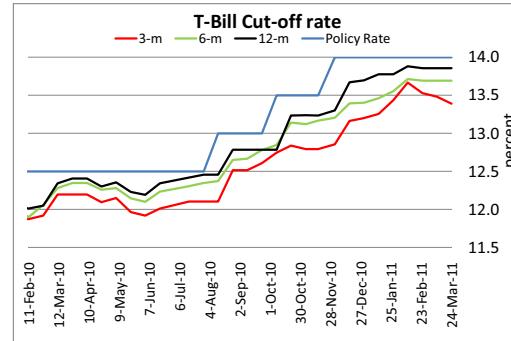
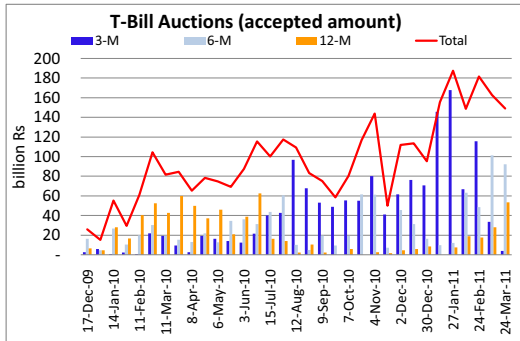
Amounts in billion Rs (Realized value) ; rates in percent

FY/Q/ Settlement Date	TOTAL				3-Month			6-Month			12-Month			Non- competitive bids (Accepted)#
	Target	Maturity	Offered	Accepted	Offered	Accepted	Cutoff*	Offered	Accepted	Cutoff**	Offered	Accepted	Cutoff**	
FY10	1,360.0	1,106.5	2,875.1	1,376.0	523.2	199.9	-	797.3	362.4	-	1,554.5	813.7	-	65.9
Q1	325.0	180.8	700.3	329.0	56.5	27.3	12.49	147.8	47.7	12.60	496.0	254.0	12.54	4.2
Q2	145.0	75.1	462.9	141.1	101.4	33.1	12.06	133.1	43.4	12.10	228.4	64.6	12.09	5.7
Q3	430.0	401.7	701.1	415.8	160.6	53.7	12.20	215.1	122.1	12.35	325.4	240.0	12.41	16.6
Q4	460.0	448.9	1,010.8	490.1	204.8	85.8	12.10	301.3	149.2	12.30	504.7	255.1	12.42	39.4
FY11	1,880.0	1,812.2	3,058.8	1,904.5	1,664.2	1,102.9	-	639.0	412.4	-	213.5	81.6	-	87.1
Q1	535.0	532.0	840.9	542.9	492.0	349.5	12.75	226.0	148.2	12.85	122.9	45.3	12.79	43.9
Q2	685.0	704.0	1,262.1	711.0	811.1	440.0	13.25	380.2	242.2	13.46	70.9	28.8	13.78	66.5
13-Jan	175.0	148.0	191.1	155.4	166.6	145.6	13.44	15.7	9.8	13.55	8.8	R	R	10.8
27-Jan	185.0	182.3	222.5	187.5	194.5	167.8	13.67	17.1	12.2	13.71	11.0	7.5	13.88	9.4
10-Feb	150.0	106.4	285.6	148.7	187.1	66.6	13.53	74.4	63.2	13.69	24.0	18.9	13.86	21.2
24-Feb	150.0	139.6	256.5	159.0	178.2	72.8	13.49	59.3	48.4	13.69	19.0	17.6	13.86	20.2
10-Mar	170.0	154.6	290.9	162.6	157.1	33.5	13.39	102.4	101.2	13.69	31.4	27.9	13.86	15.2
24-Mar	150.0	152.9	265.9	149.1	59.2	3.8	13.25	116.3	92.1	13.64	90.4	53.3	13.80	23.4

Source: Domestic Markets & Monetary Management Department, SBP
R: Bids rejected; N: No bids received

These amounts are raised from non-bank institutions and/or individuals at auctions weighted average rate.

*Quarterly rate are for end-period.



The Government compensated the earlier shortfall in borrowings through PIBs by accepting more than targeted amounts in the last two auctions.

PIB Auctions (Yields in % and Face Value in billion Rs) #

Auction Date	Target	3-Year	5-Year	7-Year	10-Year	15-Year	20-Year	30-Year	Total
16-Mar-11	Cut-off rate	-	14.08	14.11	R	14.12	R	R	-
	Offered	-	11.17	5.23	0.95	30.32	0.05	1.00	49.73
	Accepted	15.00	4.05	0.88	R	17.51	R	R	22.44
15-Feb-11	Cut-off rate	-	14.25	14.29	R	14.27	R	R	-
	Offered	-	11.40	2.85	0.95	34.18	0.30	3.30	53.28
	Accepted	20.00	6.90	1.60	R	17.58	R	R	26.08
22-Dec-10	Cut-off rate	-	14.25	14.30	R	14.36	R	R	-
	Offered	-	6.10	3.10	1.50	17.08	0.50	1.40	32.23
	Accepted	20.00	5.10	1.85	R	13.58	R	R	20.54
13-Oct-10	Cut-off rate	-	13.90	14.00	R	14.10	R	14.20	-
	Offered	-	3.78	1.60	0.20	8.61	0.35	1.30	17.14
	Accepted	20.00	0.53	0.50	R	4.86	R	0.50	6.39

*N=No bids; R=Bids rejected

Excluding non-competitive bids and short-selling accommodation

Source: Domestic Markets & Monetary Management Department, SBP

Government accepted a total of Rs47.54 billion in the latest Ijara Sukuk auction held on 1st March 2011.

Auction Date #	Settlement Date	Target	Total Offered	Total Accepted	Cut-off Margin*
1-Mar-11	7-Mar-11	45.00	56.84	47.54	0.00
13-Dec-10	20-Dec-10	40.00	57.75	37.17	0.00
8-Nov-10	15-Nov-10	40.00	64.71	51.84	0.00

* This cut-off margin is applicable to all accepted bids. The benchmark is 06-Month MTB Auction Weighted Average Yield.

The Tenor for Sukuk Auction is fixed for 3 years with a bi-annual coupon payment



Foreign Exchange Market

PKR has strengthened against USD since end June 2010.

	PKR against International Currencies			% App/(Dpp) of PKR Cumulative since Jun-10
	Latest 25 Mar 11	Last MPS 29 Jan 11	Jun-10	
USD	85.19	85.73	85.51	0.37
Euro	120.61	116.72	104.82	(13.09)
Sterling	137.00	135.99	128.35	(6.31)
JPY	1.05	1.04	0.96	(7.91)
USD Kerb	85.25	86.10	85.45	0.23
Premium (Rs)	0.06	0.37	(0.06)	-
Daily NEER*	50.74	51.27	54.61	(7.09)

* Nominal Effective Exchange Rate

Source: SBP

	International Exchange Rates			% App/(Dpp) of USD Cumulative since Jun-10
	Latest 25 Mar 11	Last MPS 29 Jan 11	Jun-10	
EUR/USD	1.42	1.36	1.23	(13.42)
GBP/USD	1.61	1.59	1.50	(6.66)
USD/JPY	81.21	82.12	88.65	(8.39)
USD/INR	44.68	45.92	46.57	(4.06)
USD/CNY	6.56	6.58	6.78	(3.31)
USD/THB	30.27	31.07	32.40	(6.60)
USD/MYR	3.03	3.06	3.24	(6.52)
USD/SGD	1.26	1.29	1.39	(9.61)

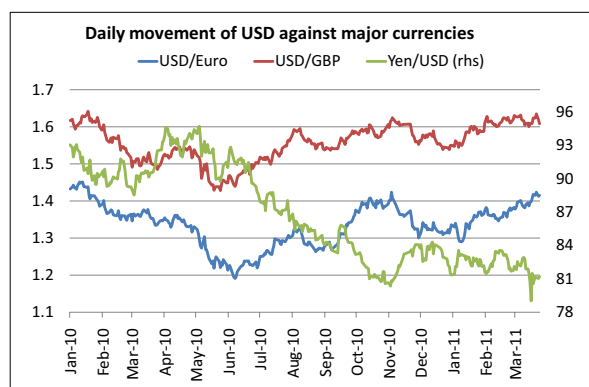
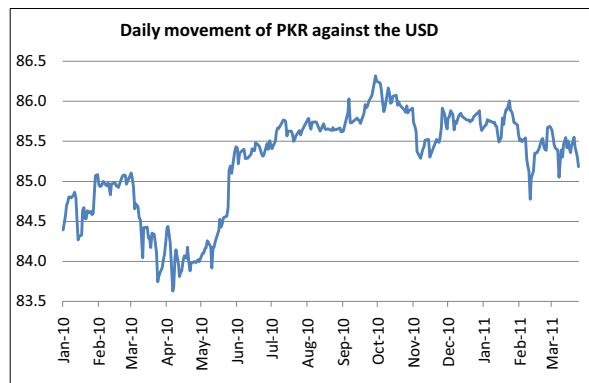
Source: SBP

USD/PKR Interbank Exchange Rate Trends on Fiscal Year Basis

	High	Low	Close	Average	Volatility C/C ¹
FY10	85.58	81.40	85.51	83.89	3.01
FY11*	86.35	84.75	85.19	85.68	1.94

¹ Reuters: Average Close-to-Close Daily Volatility (in %)

*Updated up to March 25, 2011



USD/PKR Interbank Exchange Rate Trends on Quarterly Basis

	High	Low	Close	Average	Volatility C/C ¹
Q1-FY10	83.52	81.40	83.15	82.69	3.37
Q2-FY10	84.55	83.10	84.24	83.66	1.97
Q3-FY10	85.18	83.65	84.09	84.67	3.03
Q4-FY10	85.58	83.50	85.51	84.60	3.72
Q1-FY11	86.35	85.40	86.32	85.73	1.53
Q2-FY11	86.34	85.13	85.64	85.79	1.92
Q3-FY11*	86.08	84.75	85.19	85.53	2.40

¹ Reuters: Average Close-to-Close Daily Volatility (in %)

*Updated up to March 25, 2011



In real terms, PKR has depreciated against basket of currencies since December 2010, mainly due to relatively lower increase in domestic inflation vis-à-vis inflation in trading partners.

Changes in Real Effective Exchange Rate (REER)

Base Year: CY2000

		REER Index	App(+)/Dep(-)												
			2008				2009				2010				2011
			Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Feb ^P
2008	Mar	94.03	-	-0.20	-3.71	1.51	3.75	-0.42	-1.40	-2.14	2.96	7.83	9.27	9.28	7.84
	Jun	93.84	-	-	-3.52	1.72	3.96	-0.22	-1.20	-1.94	3.16	8.05	9.50	9.50	8.05
	Sep	90.54	-	-	-	5.42	7.75	3.41	2.40	1.63	6.92	11.99	13.49	13.49	11.99
	Dec	95.45	-	-	-	-	2.21	-1.91	-2.86	-3.59	1.42	6.23	7.65	7.66	6.23
2009	Mar	97.56	-	-	-	-	-	-4.02	-4.96	-5.68	-0.77	3.93	5.32	5.33	3.94
	Jun	93.63	-	-	-	-	-	-	-0.98	-1.72	3.39	8.29	9.74	9.75	8.29
	Sep	92.72	-	-	-	-	-	-	-	-0.75	4.41	9.36	10.82	10.83	9.36
	Dec	92.02	-	-	-	-	-	-	-	-	5.21	10.19	11.66	11.67	10.19
2010	Mar	96.81	-	-	-	-	-	-	-	-	-	4.74	6.14	6.14	4.74
	Jun	101.40	-	-	-	-	-	-	-	-	-	-	1.34	1.34	0.00
	Sep	102.75	-	-	-	-	-	-	-	-	-	-	-	0.01	-1.32
	Dec	102.76	-	-	-	-	-	-	-	-	-	-	-	-	-1.32
2011	Feb ^P	101.40	-	-	-	-	-	-	-	-	-	-	-	-	-

^P Provisional

Changes in Exchange Rate (Rs/USD)--Weighted Average (Mid Rates) End Period

		WA Exchange Rate	App(+)/Dep(-)												
			2008				2009				2010				2011
			Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	18-Mar
2008	Mar	62.72	-	-8.15	-19.63	-20.71	-22.03	-22.94	-24.60	-25.57	-25.50	-26.62	-27.31	-26.83	-26.58
	Jun	68.28	-	-	-12.50	-13.68	-15.12	-16.11	-17.91	-18.97	-18.89	-20.11	-20.87	-20.34	-20.07
	Sep	78.04	-	-	-	-1.34	-2.99	-4.12	-6.18	-7.39	-7.30	-8.69	-9.56	-8.95	-8.65
	Dec	79.10	-	-	-	-	-1.67	-2.82	-4.90	-6.13	-6.04	-7.45	-8.33	-7.72	-7.41
2009	Mar	80.44	-	-	-	-	-	-1.17	-3.29	-4.54	-4.44	-5.88	-6.77	-6.15	-5.83
	Jun	81.39	-	-	-	-	-	-	-2.15	-3.41	-3.31	-4.77	-5.67	-5.04	-4.72
	Sep	83.18	-	-	-	-	-	-	-	-1.29	-1.19	-2.68	-3.60	-2.96	-2.63
	Dec	84.26	-	-	-	-	-	-	-	-	0.10	-1.40	-2.34	-1.69	-1.36
2010	Mar	84.18	-	-	-	-	-	-	-	-	-	-1.50	-2.44	-1.79	-1.46
	Jun	85.46	-	-	-	-	-	-	-	-	-	-	-0.95	-0.29	0.05
	Sep	86.29	-	-	-	-	-	-	-	-	-	-	-	0.67	1.01
	Dec	85.71	-	-	-	-	-	-	-	-	-	-	-	-	0.34
2011	18-Mar	85.42	-	-	-	-	-	-	-	-	-	-	-	-	-



Capital Market

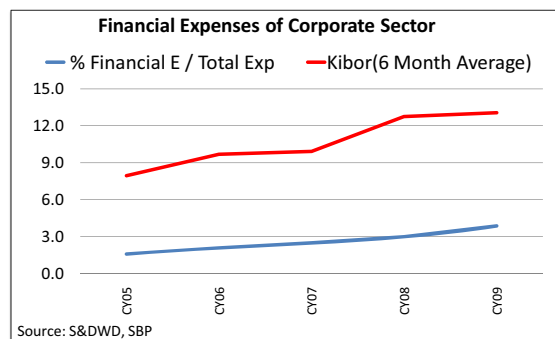
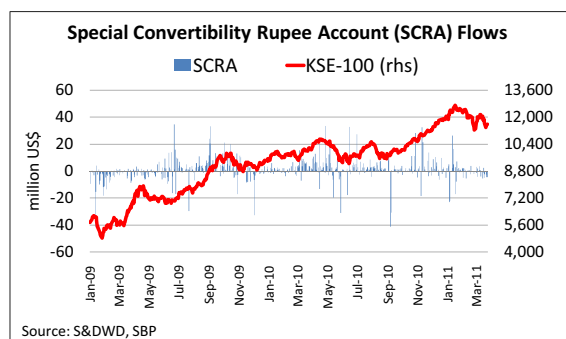
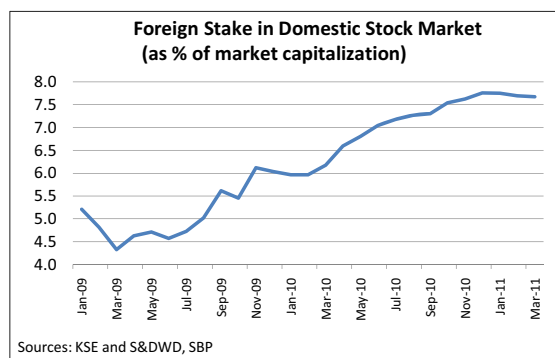
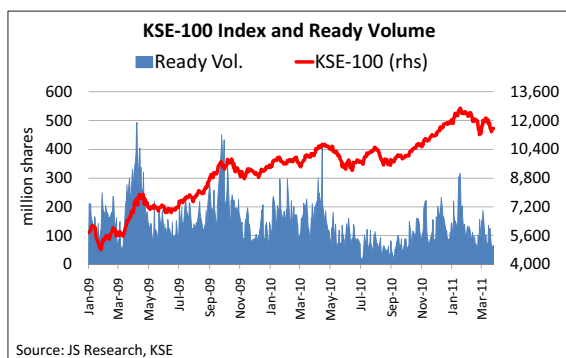
KSE-100 index, market capitalization and ready volume show marked recovery during March 2011 against the deterioration seen during the first two months of 2011.

Performance of Karachi Stock Exchange

	FY11		H1-FY11	FY10	Change (%)			
	Mar-11 ¹	Feb-11			Mar 11 ¹ over Feb 10	Mar 11 ¹ over H1-FY11	FY11 ¹ over FY10	FY10 over FY09
KSE-100 Index	11,552.1	11,289.2	12,022.5	9,721.9	2.3	-3.9	18.8	35.7
KSE-30 Index	11,257.1	10,940.7	11,588.2	9,556.6	2.9	-2.9	17.8	26.2
Market Capitalization (billion Rs.)	3,081.0	3,058.0	3,269.0	2,732.4	0.8	-5.7	12.8	28.8
Ready Volume (million shares-Avg.)	105.6	95.6	121.3	161.3	10.5	-12.9	-34.5	54.3
SCRA Cumulative flows ² , Since July (US\$ million)	172.2	195.9	195.4	568.9	-12.1	-11.9	-69.7	205.9

¹ Up to 25th March 2011; ² Up to 24th March 2011

Sources: Karachi Stock Exchange (KSE) and Statistics & Data Warehouse Department (S&DWD), SBP





Financial Soundness Indicators

Banks' profitability indicators have remained unchanged while NPLs to total loans have continued to increase over the last few quarters.

percent

	2008	2009 [#]	Mar 2010	Jun 2010	Sep 2010	Dec 2010
Risk weighted CAR [*]	12.2	14.0	13.7	13.9	13.8	14.0
NPLs to total loans	10.5	12.6	13.1	12.9	14.0	14.7
Provision to NPLs	69.6	69.9	70.9	73.2	71.1	66.7
Returns on assets (before tax)	1.2	1.3	1.8	1.8	1.6	1.7
Return on assets (after tax)	0.8	0.9	1.1	1.1	1.0	1.0
ROE (before tax) ^{**}	11.4	13.2	17.8	17.7	16.2	16.7
ROE (after tax) ^{**}	7.8	8.9	11.1	10.9	9.9	9.8
Net interest income/gross income	70.3	72.4	74.0	74.7	75.6	74.7
Liquid assets/total assets	28.2	32.7	32.4	34.2	33.6	35.0
Liquid assets/total deposits	37.7	44.5	43.7	45.3	44.4	45.9
Advances/deposits	75.2	67.7	66.4	63.0	63.1	61.4

Source: Banking Surveillance Department, SBP

^{*}For Capital Adequacy Ratios, Data of IDBP, PPCBL, and SME is based on Basel I.

^{**}Average equity and surplus

[#]Results of two banks are based on un-audited Quarterly Report of Condition (QRC) for the quarter ended December 31, 2009.

Note: FSIs are prepared on the basis of annual audited accounts except for quarter ended Mar-10, Jun-10, Sep-10 and Dec-10 which are based on unaudited Quarterly Report of Condition (QRC) submitted by banks.

