



# **Monetary Policy Information Compendium**

**May 2011**

Consolidated by

**Monetary Policy Department**

**STATE BANK OF PAKISTAN**

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## Real Sector

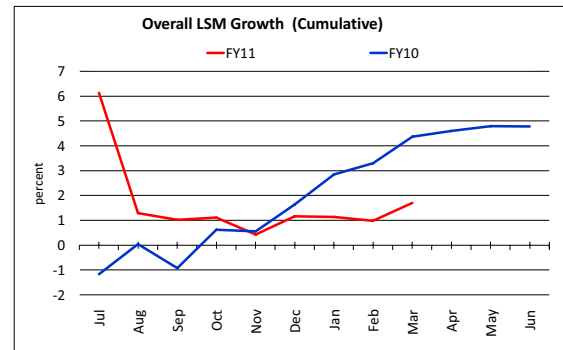
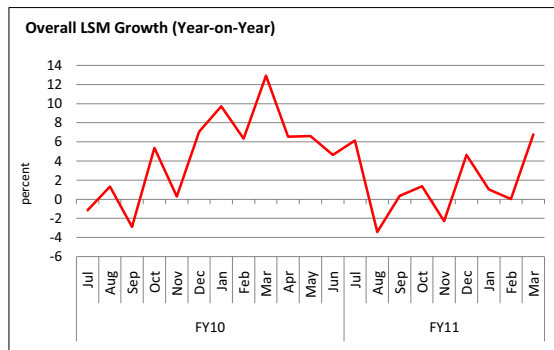
*Supported by substantial increase in production of sugar and leather goods, LSM grew (YoY) sharply in March 2011 recording the highest growth during FY11 so far.*

### Growth in Large Scale Manufacturing (LSM) Sector

Groups	Weights	YoY changes				Cumulative change during July-March			
		Mar-11		Mar-10		FY11		FY10	
<b>Overall</b>	<b>79.3</b>	<b>6.8</b>	<b>12.9</b>			<b>1.7</b>	<b>4.4</b>		
Textile	26.4	↑ 0.3	↑ 0.5			↑ 0.2	↓ -0.3		
Food, beverages & tobacco	14.4	↑ 62.2	↓ -5.2			↑ 9.3	↓ -3.3		
<i>Sugar</i>	4.2	↑ 275.9	↓ -5.8			↑ 26.5	↓ -3.5		
Petroleum products	5.2	↑ 0.4	↓ -0.1			↓ -4.2	↓ -5.9		
Pharmaceuticals	5.0	↓ -6.8	↑ 12.6			↑ 0.5	↑ 7.5		
Non-metallic mineral products	4.2	↓ -7.7	↑ 2.0			↓ -9.6	↑ 11.9		
Automobile	4.0	↑ 22.1	↑ 66.0			↑ 14.6	↑ 31.6		
Metal industries	3.5	↑ 1.4	↓ -27.2			↓ -13.1	↓ -27.1		
Fertilizer	3.4	↓ -18.2	↑ 40.5			↑ 0.8	↑ 10.9		
Chemicals	2.9	↓ -6.9	↑ 0.4			↑ 1.4	↑ 0.8		
Electronics	2.5	↓ -28.8	↑ 96.0			↓ -12.9	↑ 18.8		
Leather products	2.3	↑ 41.8	↑ 17.9			↑ 30.0	↑ 23.6		
Paper and board	0.6	↓ -8.1	↑ 1.4			↑ 2.9	↓ -1.4		
Engineering industries	0.4	↓ -44.6	↑ 92.5			↓ -15.4	↑ 6.0		
Rubber products	0.3	↑ 10.6	↑ 13.6			↑ 0.0	↑ 29.7		
Wood and wood products	0.03	↓ -9.2	↓ -37.3			↑ 0.5	↓ -45.1		

Note: Weights of LSM sectors are standardized to 100

Sources: Federal Bureau of Statistics (FBS)



*Flood related production losses restricted agriculture growth to 1.2 % during FY11.*

Crops	Production (million tons)				Area Under Cultivation (million hectares)				Yield (Kg/hectare)		
	FY10 <sup>R</sup>	FY11 <sup>T</sup>	FY11 <sup>E</sup>	% change in FY11 <sup>E</sup> over FY10 <sup>R</sup>	FY10 <sup>R</sup>	FY11 <sup>T</sup>	FY11 <sup>E</sup>	% change in FY11 <sup>E</sup> over FY10 <sup>R</sup>	FY11 <sup>T</sup>	FY11 <sup>E</sup>	% change in FY11 <sup>E</sup> over FY10 <sup>R</sup>
Cotton*	12.9	14.0	11.5	↓ -11.3	3.1	3.2	2.7	↓ -13.4	745	724	↑ 2.5
Sugarcane	49.4	53.7	55.3	↑ 12.0	0.9	1.1	1.0	↑ 4.8	51,000	55,997	↑ 6.9
Rice	6.9	6.0	4.8	↓ -29.9	2.9	2.7	2.4	↓ -18.0	2,228	2,039	↓ -14.6
Wheat	23.3	25.0	24.2	↑ 3.9	9.1	9.0	8.8	↓ -3.6	2,764	2,750	↑ 7.7
Gram	0.6	0.6	0.5	↓ -6.8	1.1	1.1	1.1	↑ 0.1	552	490	↓ -6.9
Maize	3.3	3.5	3.3	↑ 2.4	0.9	1.0	0.9	↑ 0.4	3,419	3,560	↑ 2.1

\* Cotton production is stated in million bales.

R: Revised, T: Target, E: Highly provisional estimates.

Source: Federal Bureau of Statistics

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



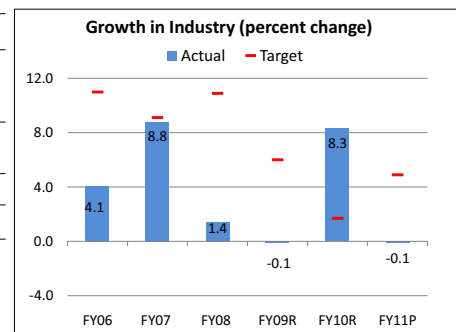
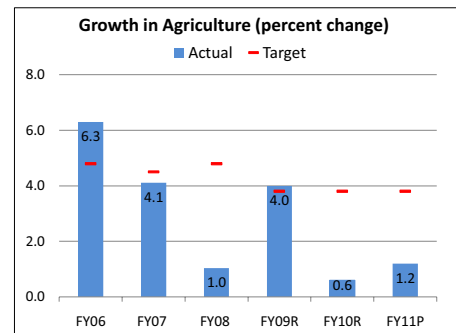
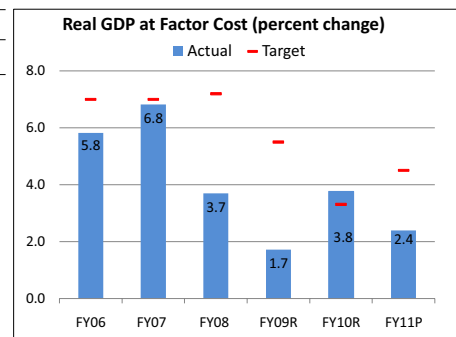
# Monetary Policy Information Compendium

May 2011

**Real GDP (fc) growth moderated to 2.4 percent in FY11 mainly due to lackluster performance of the industrial sector affected by infrastructure constraints and unfavorable law & order situation in the country.**

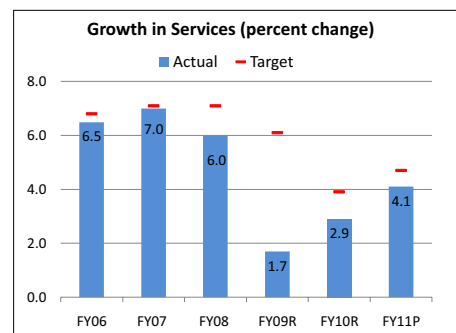
## Income Approach- GDP at Constant Factor Cost (fc) of 1999-00, % changes

	FY10 (R)	FY11 (P)		
		Growth	Shares	Contribution
<b>Agriculture of which</b>	<b>0.6</b>	<b>1.2</b>	<b>20.9</b>	<b>0.3</b>
Major crops	-2.4	-4.0	6.5	-0.3
Minor crops	-7.8	4.8	2.3	0.11
Livestock	4.3	3.7	11.5	0.4
<b>Industry of which</b>	<b>8.3</b>	<b>-0.1</b>	<b>25.8</b>	<b>-0.02</b>
Manufacturing	5.5	3.0	18.7	0.6
Large-scale	4.9	1.0	12.1	0.1
Small-scale	7.5	7.5	5.1	0.4
Construction	28.4	0.8	2.5	0.02
<b>Services of which</b>	<b>2.9</b>	<b>4.1</b>	<b>53.3</b>	<b>2.2</b>
Transport & communication	2.8	1.3	10.0	0.1
Wholesale & retail trade	4.6	3.9	17.2	0.7
Finance & insurance	-11.3	-6.3	4.5	-0.3
Public administration & defence	2.5	13.2	2.7	0.8
<b>Real GDP (fc)</b>	<b>3.8</b>	<b>2.4</b>	-	-
<b>Real GDP (mp)</b>	<b>4.1</b>	<b>2.4</b>	-	-
	<b>FY09</b>	<b>FY10R</b>	<b>FY11P</b>	
Real GDP (fc, billion Rs)	5,476	5,682	5,817	
Real GDP (fc, billion US\$)	69.3	67.5	67.9	



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

	FY10 (R)	FY11 (P)		
		Growth	Shares	Contribution
<b>Consumption</b>	<b>3.9</b>	<b>7.0</b>	<b>90.7</b>	<b>6.1</b>
Private	4.0	7.0	81.1	5.4
Government	2.2	7.5	9.6	0.7
<b>Fixed capital formation</b>	<b>-6.1</b>	<b>-0.4</b>	<b>14.0</b>	<b>-0.1</b>
Private	-5.7	-3.1	10.2	-0.3
Public plus general government	-70.8	241.7	3.8	2.8
<b>Changes in Stocks</b>	<b>4.1</b>	<b>2.4</b>	<b>1.7</b>	<b>0.04</b>
<b>Net exports of goods and non-factor services</b>	<b>196.6</b>	<b>-127.8</b>	<b>-0.8</b>	<b>-3.6</b>
Exports of goods and non-factor	15.8	-14.2	15.4	-2.6
Imports of goods and non-factor	4.4	6.1	16.2	1.0
<b>GDP (market prices)</b>	<b>4.1</b>	<b>2.4</b>	<b>105.7</b>	-
Less Indirect taxes plus subsidies	11.4	1.8	-5.7	-0.1
<b>GDP (fc)</b>	<b>3.8</b>	<b>2.4</b>	-	-
<b>Total Domestic Demand*</b>	<b>2.3</b>	<b>5.9</b>	-	-



\*Domestic demand is calculated as sum of consumption and investment expenditures on real GDP; ^ GDP in dollar terms is calculated using average exchange rate during the year.

Source: Federal Bureau of Statistics; Note: LSM data pertains to Jul-Feb FY11; R: Revised; P: Provisional; T: Target

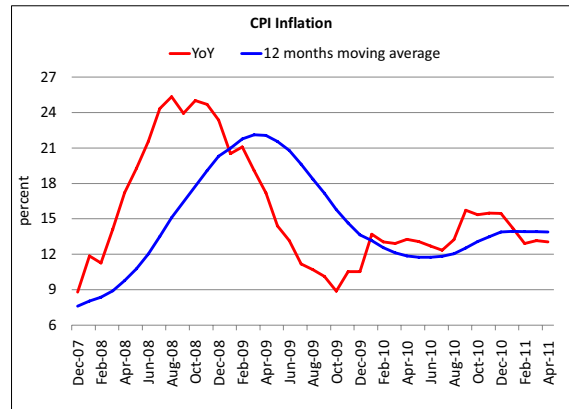


**Inflation**

*Headline CPI inflation (YoY) has stayed around 13 percent during the last three months.*

**Consumer Price Index (CPI) (percent change)**

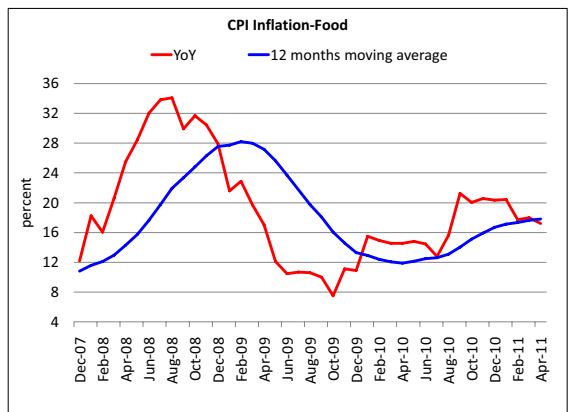
	MoM*	YoY#	12M moving average
Apr-10	1.7	13.3	11.8
May-10	0.1	13.1	11.8
Jun-10	0.6	12.7	11.7
Jul-10	1.2	12.3	11.8
Aug-10	2.5	13.2	12.0
Sep-10	2.7	15.7	12.5
Oct-10	0.6	15.3	13.1
Nov-10	1.5	15.5	13.5
Dec-10	-0.5	15.5	13.9
Jan-11	1.3	14.2	13.9
Feb-11	-0.7	12.9	13.9
Mar-11	1.5	13.2	13.9
Apr-11	1.6	13.0	13.9
<b>5-year Avg for April (excluding FY11)</b>	<b>1.5</b>	<b>12.1</b>	



*Food inflation (YoY) saw a slight decline in April 2011.*

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

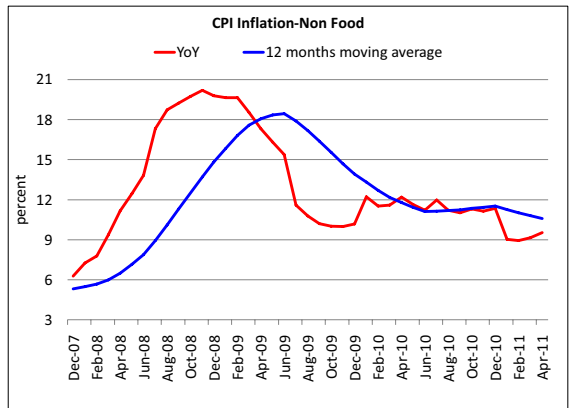
	MoM*	YoY#	12M moving average
Apr-10	2.0	14.5	11.9
May-10	0.0	14.8	12.1
Jun-10	0.7	14.5	12.5
Jul-10	1.5	12.8	12.6
Aug-10	5.1	15.6	13.1
Sep-10	5.3	21.2	14.0
Oct-10	0.1	20.1	15.1
Nov-10	2.2	20.5	15.9
Dec-10	-1.9	20.4	16.7
Jan-11	2.1	20.4	17.1
Feb-11	-2.1	17.7	17.4
Mar-11	2.0	18.0	17.6
Apr-11	1.4	17.2	17.8
<b>5-year Avg for April (excluding FY11)</b>	<b>2.0</b>	<b>14.0</b>	



*After falling sharply in January 2011, non-food inflation (YoY) has been rising, though slowly, for the last two months.*

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

	MoM*	YoY#	12M moving average
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
Mar-11	1.0	9.1	10.8
Apr-11	1.8	9.5	10.6
<b>5-year Avg for April (excluding FY11)</b>	<b>1.1</b>	<b>10.8</b>	



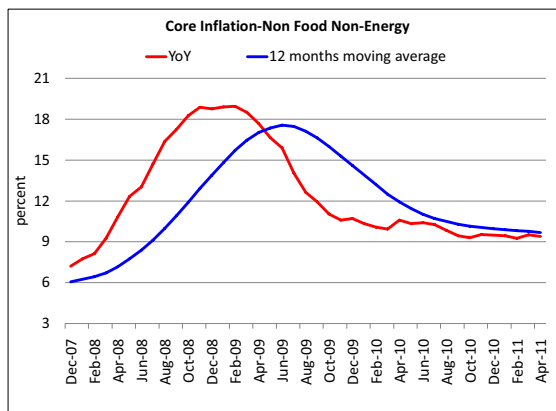
\* Month-on-Month  
# Year-on-Year

Source: Federal Bureau of Statistics



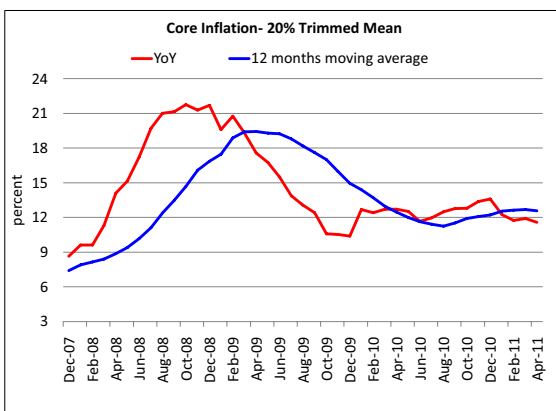
*The non-food non-energy (NFNE) measure of core inflation (YoY) has persistently remained above 9 percent since August 2010.*

Core - Non-food non-energy (51% weight in basket) (percent change)			
	MoM	YoY	12M moving average
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
Mar-11	1.0	9.5	9.8
Apr-11	1.6	9.4	9.7
<b>5-year Avg for April (excluding FY11)</b>	<b>1.2</b>	<b>10.3</b>	



*Similarly, 20% trimmed mean measure of core inflation (YoY) has remained close to 12 percent since January 2011.*

Core - 20% Trimmed (percent change)			
	MoM	YoY	12M moving average
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
Mar-11	1.1	11.9	12.7
Apr-11	1.2	11.6	12.6
<b>5-year Avg for April (excluding FY11)</b>	<b>1.1</b>	<b>11.4</b>	



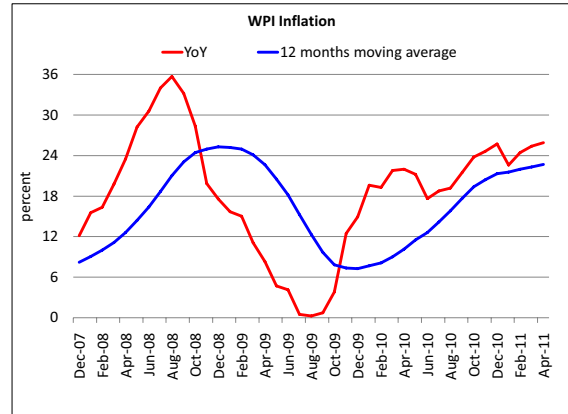
Source: Federal Bureau of Statistics



**Unlike CPI inflation, WPI inflation (YoY) has accelerated in the last three months, mainly due to rise in prices of non-food items.**

**Wholesale Price Index (WPI) (percent change)**

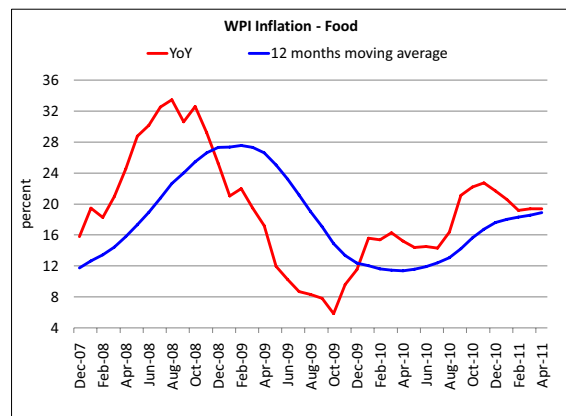
	MoM	YoY	12M moving average
Apr-10	1.8	22.0	10.1
May-10	0.9	21.2	11.5
Jun-10	-0.6	17.6	12.6
Jul-10	1.7	18.7	14.2
Aug-10	2.6	19.2	15.9
Sep-10	2.1	21.5	17.7
Oct-10	3.1	23.8	19.4
Nov-10	3.5	24.7	20.4
Dec-10	1.1	25.7	21.3
Jan-11	1.6	22.6	21.6
Feb-11	1.9	24.4	22.0
Mar-11	3.3	25.4	22.3
Apr-11	2.3	25.9	22.7
5-year Avg for April (excluding FY11)	<b>2.0</b>	<b>13.6</b>	



**WPI food inflation (YoY) remained unchanged at 19.4 percent in March 2011.**

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

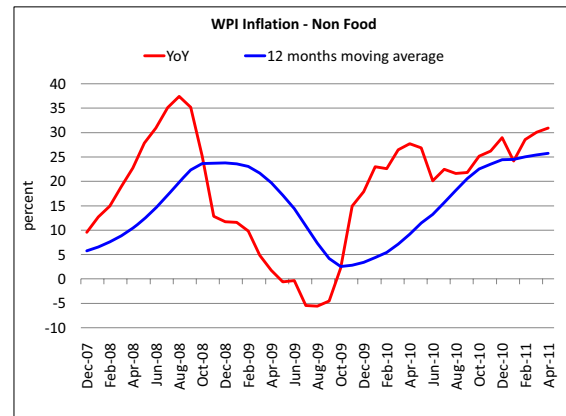
	MoM	YoY	12M moving average
Apr-10	0.7	15.2	11.4
May-10	0.1	14.4	11.6
Jun-10	1.2	14.5	11.9
Jul-10	1.9	14.3	12.4
Aug-10	4.2	16.4	13.1
Sep-10	4.5	21.1	14.2
Oct-10	1.8	22.2	15.6
Nov-10	2.3	22.7	16.8
Dec-10	-1.5	21.7	17.6
Jan-11	1.7	20.6	18.0
Feb-11	-0.6	19.2	18.3
Mar-11	1.8	19.4	18.6
Apr-11	0.8	19.4	18.9
5-year Avg for April (excluding FY11)	<b>1.6</b>	<b>14.0</b>	



**WPI non-food inflation (YoY) rose above 30 percent in April 2011, largely due to increase in energy, manufacturing and raw material prices.**

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

	MoM	YoY	12M moving average
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
Mar-11	4.5	30.1	25.4
Apr-11	3.3	30.9	25.8
5-year Avg for April (excluding FY11)	<b>2.3</b>	<b>13.5</b>	



Sources: Federal Bureau of Statistics



### CPI Inflation (YoY) by Groups

*Slight decrease in headline CPI inflation in April 2011 was mainly contributed by food group.*

Groups	Weights	Apr-11			Mar-11		
		MoM	YoY	12m MA*	MoM	YoY	12m MA*
<b>I. Food Group</b>	<b>40.3</b>	<b>1.4</b>	<b>17.2</b>	<b>17.8</b>	<b>2.0</b>	<b>18.0</b>	<b>17.6</b>
<b>II. Non-Food Group</b>	<b>59.7</b>	<b>1.8</b>	<b>9.5</b>	<b>10.6</b>	<b>1.0</b>	<b>9.1</b>	<b>10.8</b>
Apparel, Textile etc.	6.1	2.0	13.2	11.2	1.6	13.5	10.8
House Rent	23.4	0.9	7.0	7.6	0.7	6.6	8.0
Fuel and Lighting	7.3	0.7	10.3	16.1	0.0	9.1	16.7
Furniture etc.	3.3	1.0	11.7	9.3	1.2	11.6	8.8
Transport etc.	7.3	5.1	9.8	14.6	1.7	10.5	15.6
Recreation etc.	0.8	0.2	0.6	12.4	0.1	10.5	13.7
Education	3.5	3.1	5.6	6.4	0.1	5.1	6.7
Cleaning, Laundry etc.	5.9	2.6	16.0	11.2	3.1	13.5	10.6
Medicare	2.1	2.5	16.3	13.7	0.2	16.3	13.1
<b>Overall</b>	<b>100</b>	<b>1.6</b>	<b>13.0</b>	<b>13.9</b>	<b>1.5</b>	<b>13.2</b>	<b>13.9</b>

*SPI inflation (WoW) was relatively higher during the first two weeks of May 2011.*

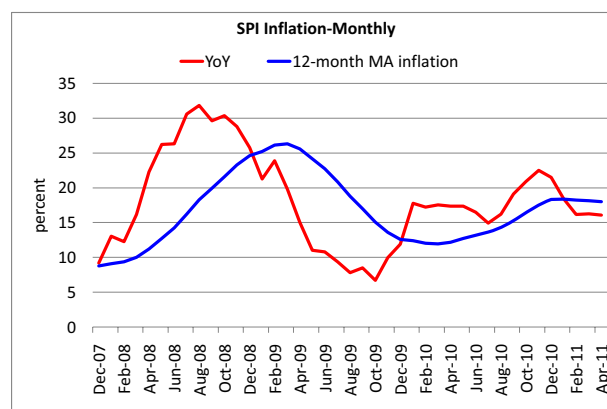
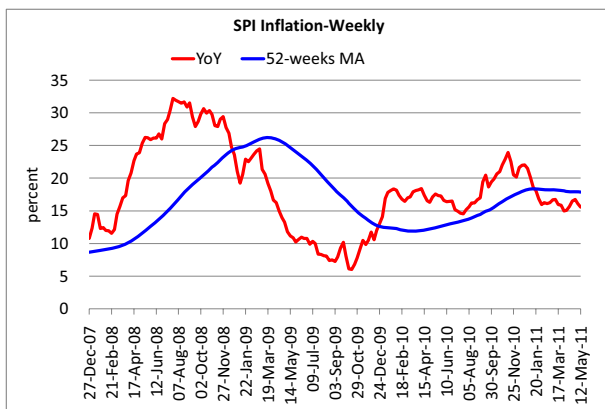
#### Sensitive Price Indicator (SPI) (percent change)

Income Groups	Percent change (WoW)				Apr-11		
	Current	Last week	Two weeks ago	Three weeks ago	MoM	YoY	12m MA*
	12-May-11	5-May-11	28-Apr-11	21-Apr-11			
<b>Up to Rs 3000</b>	0.07	0.06	-0.47	0.11	0.5	17.0	17.9
<b>Rs 3001-5000</b>	0.07	0.04	-0.50	0.13	0.5	16.2	17.7
<b>Rs 5001-12000</b>	0.11	0.12	-0.48	0.21	0.4	15.5	17.5
<b>Above Rs 12000</b>	0.17	0.71	-0.36	0.27	1.2	15.7	17.9
<b>All</b>	<b>0.13</b>	<b>0.39</b>	<b>-0.42</b>	<b>0.25</b>	<b>0.9</b>	<b>16.1</b>	<b>18.0</b>

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

*The overall balance of payments deteriorated in April 2011 as repayment of long-term loans exceeded the impressive increase in current account surplus during the month.*

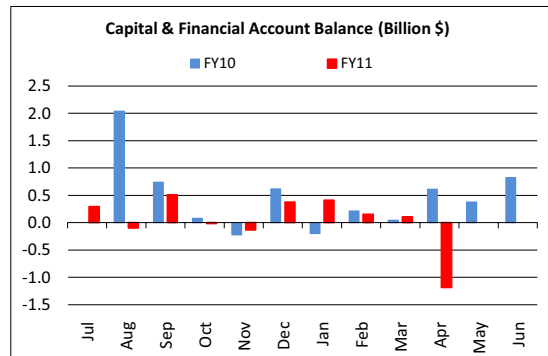
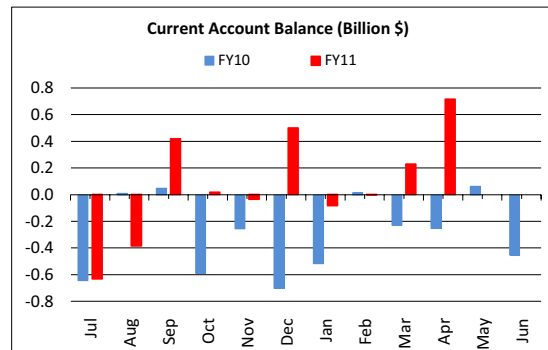
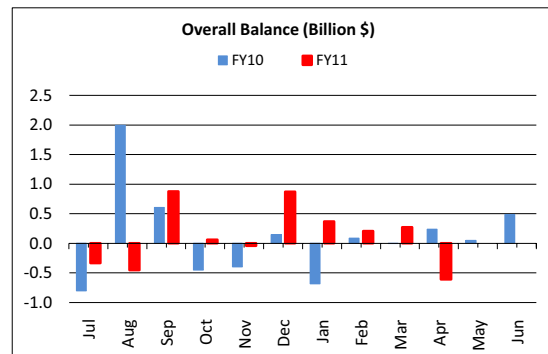
### Balance of Payments Summary (million \$)

Items	Apr-11	Jul-Apr		FY10
		FY11	FY10	
<b>A) Current account</b>	<b>716</b>	<b>748</b>	<b>-3,456</b>	<b>-3,946</b>
1. Trade balance	-236	-8,285	-9,292	-11,536
Exports	2,590	20,526	16,167	19,673
Imports	2,826	28,811	25,459	31,209
2. Services (net)	-144	-1,392	-1,937	-1,690
Receipts	457	4,662	3,740	5,229
Payments	601	6,054	5,677	6,919
3. Income (net)	-250	-2,421	-2,594	-3,282
Receipts	69	562	469	561
Payments	319	2,983	3,063	3,843
4. Current transfers (net)	1,346	12,846	10,367	12,562
Receipts: of which	1,357	12,907	10,458	12,672
Remittances	1,030	9,046	7,307	8,906
Payments	11	61	91	110
<b>B) Capital and financial account: of which</b>	<b>-1,183</b>	<b>498</b>	<b>3,687</b>	<b>5,274</b>
1. Foreign investment	186	1,491	1,605	2,010
FDI (net) <sup>2</sup>	119	1,193	1,653	2,075
FPI	67.0	298	-48	-65
2. Foreign long term loans	-75	333	1,472	2,210
Disbursements	58	1,964	3,020	4,085
Amortization	133	1,631	1,548	1,875
<b>C) Errors &amp; omissions</b>	<b>-144</b>	<b>-36</b>	<b>499</b>	<b>-62</b>
<b>Overall balance (A+B+C)</b>	<b>-611</b>	<b>1,210</b>	<b>730</b>	<b>1,266</b>
<b>SBP gross reserves<sup>1</sup></b>	<b>15,471</b>	<b>15,471</b>	<b>12,218</b>	<b>13,953</b>

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

<sup>2</sup> Net FDI inflows equals direct investment in Pakistan less direct investment made by Pakistan abroad.

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



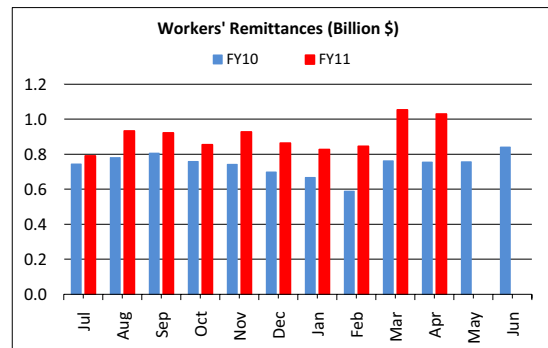
*Remittances' inflows remained above \$1 billion for the second consecutive month in April 2011.*

### Workers' Remittances<sup>2</sup> (million \$)

	Apr-11	Jul-Apr		FY10
		FY11	FY10	
<b>Total: of which</b>	<b>1,030</b>	<b>9,047</b>	<b>7,306</b>	<b>8,906</b>
USA	187	1,678	1,462	1,771
UK	111	991	735	876
Saudi Arabia	264	2,086	1,526	1,918
UAE	232	2,091	1,663	2,039
GCC <sup>3</sup>	115	1,063	1,033	1,238
Others	121	1,137	887	1,064

<sup>2</sup> Only cash, <sup>3</sup> Kuwait, Qatar, Bahrain and Oman

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



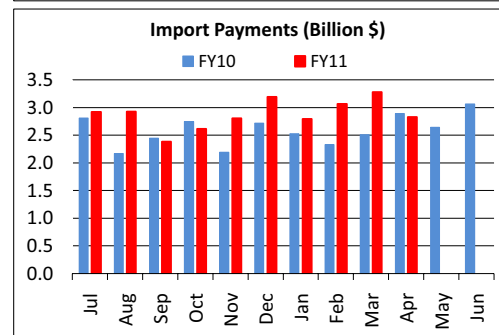
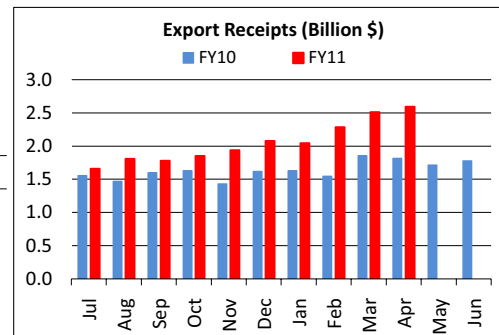
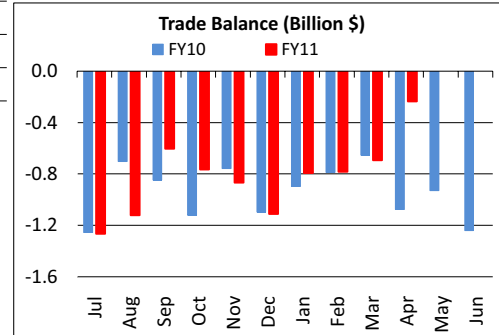


## Trade

*The trade deficit further narrowed down in April 2011 due to both increase in export receipts and decrease in imports.*

### Trade in Goods -Major Groups (million \$)

	Apr-11	Jul-Apr		Shares <sup>1</sup>
		FY11	FY10	
<b>Exports</b>	<b>2,590</b>	<b>20,526</b>	<b>16,167</b>	<b>100</b>
<b>Textile group</b>	<b>1,211</b>	<b>10,497</b>	<b>8,384</b>	<b>51</b>
Cotton cloth	223	1,945	1,545	9
Knitwear, bedwear	408	3,854	3,026	19
Readymade garments	102	875	793	4
<b>Other manufactures group</b>	<b>403</b>	<b>3,422</b>	<b>2,868</b>	<b>17</b>
Leather items <sup>2</sup>	75	726	563	4
Chemical and pharma	113	852	676	4
Cement	49	402	423	2
Engineering goods	42	357	247	2
<b>Food group</b>	<b>450</b>	<b>3,252</b>	<b>2,693</b>	<b>16</b>
Rice	203	1,755	1,737	9
<b>All Others</b>	<b>526</b>	<b>3,356</b>	<b>2,222</b>	<b>16</b>
<b>Imports</b>	<b>2,826</b>	<b>28,810</b>	<b>25,459</b>	<b>100</b>
<b>Petroleum group</b>	<b>1,007</b>	<b>9,673</b>	<b>8,303</b>	<b>34</b>
Petroleum products	669	6,555	5,196	23
Petroleum crude	338	3,118	3,107	11
<b>Machinery group</b>	<b>311</b>	<b>3,322</b>	<b>3,420</b>	<b>12</b>
Power machinery	53	597	721	2
Electrical machinery	44	429	475	1
<b>Agri. &amp; other chemicals group</b>	<b>475</b>	<b>4,545</b>	<b>4,417</b>	<b>16</b>
Fertilizer manufactured	25	406	752	1
Plastic materials	124	1,138	920	4
<b>Food group</b>	<b>331</b>	<b>3,947</b>	<b>2,455</b>	<b>14</b>
Palm oil	171	1,526	1,027	5
Sugar	1	646	181	2
<b>Metal group</b>	<b>180</b>	<b>1,680</b>	<b>1,668</b>	<b>6</b>
Iron steel (IS) & IS scrap	133	1,303	1,334	5
<b>All Others</b>	<b>521</b>	<b>5,645</b>	<b>5,197</b>	<b>20</b>

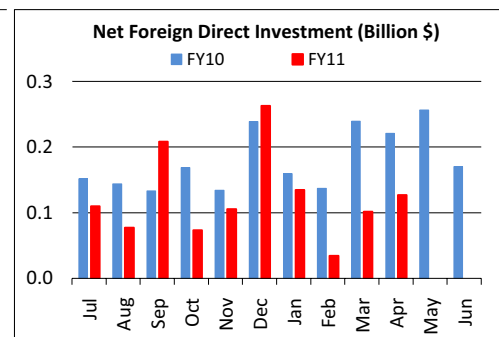


<sup>1</sup> Share=group(item)/total, based on FY10 value; <sup>2</sup> Include tanned and manufactured leather

*FDI inflows continue to remain subdued during FY11 so far.*

### Foreign Direct Investment inflows in Pakistan (million \$)<sup>3</sup>

	Apr-11	Jul-Apr		FY10
		FY11	FY10	
<b>Total: Of which</b>	<b>127</b>	<b>1,232</b>	<b>1,725</b>	<b>2,151</b>
<b>Major countries</b>				
USA	11	173	391	468
UAE	52	246	183	243
UK	6	166	214	295
Netherlands	-9	-39	269	279
<b>Major sectors</b>				
Communication	2	-11	223	291
Financial service	40	165	133	163
Oil & gas exploration	17	413	605	741
Power	10	132	-8	-121
Trade	4	44	79	117



<sup>3</sup> 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

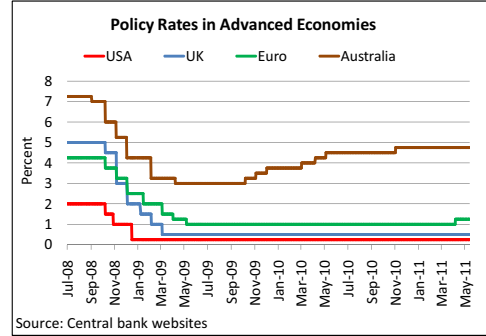


**Global Economy**

*To counter rising inflationary pressures, central banks of both emerging and developed economies have further tightened monetary policy in recent months.*

**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	1.25	1.00	Apr 07 2011	↑ 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	6.31	6.06	Apr 06 2011	↑ 25
India	7.25	6.75	May 03 2011	↑ 50
South Korea	3.00	2.75	Mar 10 2011	↑ 25
Malaysia	3.00	2.75	May 05 2011	↑ 25
Indonesia	6.75	6.50	Feb 04 2011	↑ 25
Thailand	2.75	2.50	Apr 20 2011	↑ 25

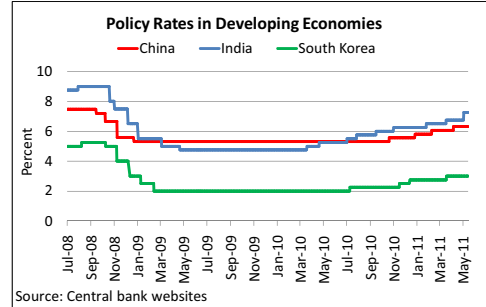


Source: Central bank websites

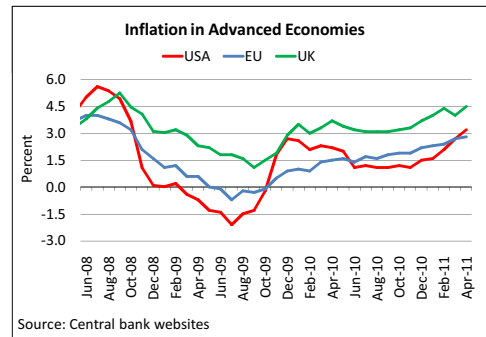
*GDP grew moderately in most of the countries during last quarter of 2010.*

**Key Macroeconomic Indicators**

	Inflation (YoY) <sup>1</sup>	GDP growth <sup>2</sup>	Current account balance	Fiscal balance
	Apr-11		as a percentage of GDP	
USA	3.2	2.3 (Q1-11)	-3.1 (Q3-10)	-8.8 (Q3-10)
UK	4.5	1.4 (Q4-10)	-1.9 (Q3-10)	-8.7 (Q3-10)
Euro Area	2.8	2.0 (Q4-10)	-0.6 (Q3-10)	-5.2 (Q2-10)
Japan	0.0 (Mar-11)	2.2 (Q4-10)	3.5 (Q3-10)	-7.4 (Q2-10)
Australia	3.3 (Q1-11)	2.7 (Q4-10)	-2.3 (Q3-10)	-
China	5.3	9.7 (Q1-11)	4.3 (Q3-10)	4.3 (Q2-10)
India	8.8 (Mar-11)	8.2 (Q4-10)	-3.7 (Q2-10)	-5.3 (Q3-10)
Sri Lanka	9.8	8.0 (Q3-10)	-	-
South Korea	4.2	4.8 (Q4-10)	4.1 (Q3-10)	2.8 (Q2-10)
Malaysia	3.2	4.8 (Q4-10)	12.6 (Q3-10)	-
Indonesia	6.2	6.9 (Q4-10)	1.3 (Q3-10)	-
Thailand	4.0	3.8 (Q4-10)	0.1 (Q3-10)	-1.0 (Q3-10)



Source: Central bank websites

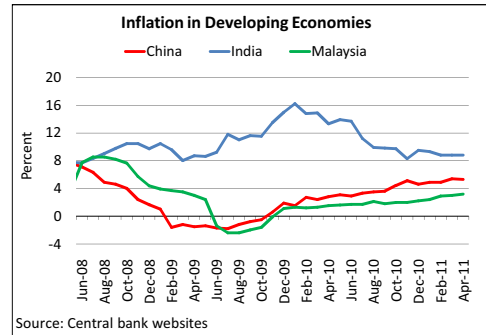


Source: Central bank websites

*The current economic uncertainty seems to endorse the IMF and World Bank estimates on moderation in global economic growth in 2011.*

**World Economic Outlook - Real GDP Growth**

	2010 (IMF Estimated)	2011 Projections		
		IMF (Apr-11)	World Bank (Jan-11)	OECD (Nov-10)
<b>World output</b>	<b>5.0</b>	<b>4.4</b>	<b>4.1</b>	-
<b>Advance</b>	<b>3.0</b>	<b>2.4</b>	<b>2.4</b>	-
US	2.8	2.8	2.8	2.2
Euro area	1.7	1.6	1.4	1.7
Japan	3.9	1.4	1.8	1.7
UK	1.3	1.7	-	1.7
<b>Emerging &amp; Developing</b>	<b>7.3</b>	<b>6.5</b>	<b>6.0</b>	-
Russia	4.0	4.8	4.2	4.2
China	10.3	9.6	8.7	9.7
India	10.4	8.2	8.4	8.2
ASEAN-5	6.9	5.4	-	-



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.



*Consistently rising international Commodity prices is one of the major risks for smooth global economic recovery.*

## World Commodity Price Indices (2005=100)

	Apr-11	% change since		
		Last month		End Jun-10
Global CPI	208.4	↑ 4.56	↑	49.84
Food CPI	193.2	↑ 2.76	↑	38.07
Commodity non-fuel CPI	204.5	↑ 1.98	↑	48.36
Metal CPI	250.1	↑ 2.41	↑	65.43
Crude oil (\$/bbl)	116.3	↑ 7.05	↑	55.64
Palm oil (\$/m. ton)	1123.8	↓ -1.61	↑	46.92
Soya bean Oil (\$/m. ton)	1279.0	↑ 2.72	↑	55.79
Wheat (\$/m. ton)	336.3	↑ 6.17	↑	113.29
Gold spot (\$/Oz)	1483.0	↑ 7.26	↑	23.67
Sugar (US cents/pound)	37.0	↑ 2.16	↑	28.46

Source: IMF-IFS

*Recent downturn in global stock markets is the reflection of global economic uncertainty.*

## Capital Market Indices

	Latest - May 13, 2011	% change since		
		Last month		End Jun-10
US (DJIA)	12595.8	↓ -1.3	↑	28.9
DJ EURO STOXX	2894.6	↓ -3.7	→	12.5
UK (FTSE 100)	5925.9	↓ -2.4	↑	20.5
Japan (Nikkei 225)	9648.8	↓ -2.0	↑	2.8
China (SSEA)	2871.0	↓ -1.4	→	12.0
France (CAC 40)	4018.9	↓ -2.1	↑	16.7
Germany (DAX)	7403.3	↓ -1.5	↑	24.1
India (BSE)	18531.3	↓ -3.9	→	7.1
World dev'd (MSCI) <sup>3</sup>	1357.3	↓ -1.0	↑	30.3
Emerging markets (MSCI) <sup>3</sup>	1165.9	↓ -3.0	↑	27.0
World all (MSCI) <sup>3</sup>	348.4	↓ -1.3	↑	29.9

<sup>1</sup> Inflation is YoY percent changes in CPI.

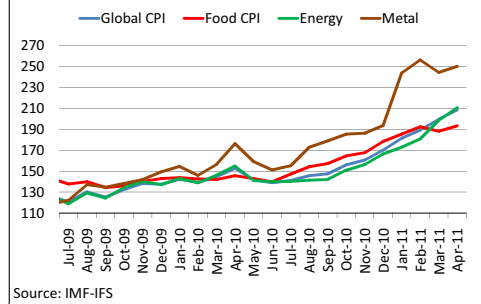
<sup>2</sup> Growth is measured as percentage change over the same quarter of previous year.

<sup>3</sup> May 11, 2011

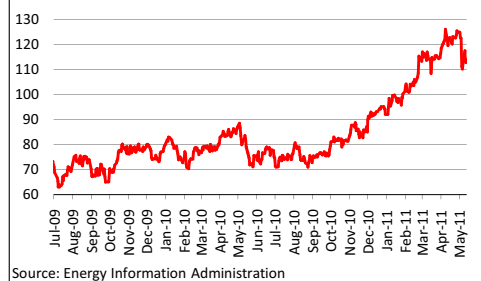
<sup>4</sup> **30 Yr Bond** = \$300 M (30 Yr US T bill+302 bps=>**7.875%**): Issued-3/24/2006: Maturity-3/23/2036  
**10 Yr Bond (1)** = \$750 M (10 Yr US T bill+200 bps=>**6.875%**): Issued-6/1/2007: Maturity-5/31/2017  
**10 Yr Bond (2)** = \$500 M (10 Yr US T bill+240 bps=>**7.125%**): Issued-3/24/2006: Maturity-3/23/2016

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

## Trends in Commodity Price Indices (2005=100)



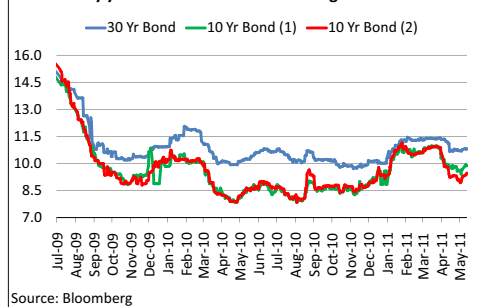
## Daily Price of Saudi Arabian Light - \$ per barrel



## Daily Price of Gold Spot - \$ per Oz.



## Daily yield of Pakistan's Int'l Sovereign Bonds<sup>4</sup>





## Revenues, Expenditures and Fiscal Balances

The latest available data on fiscal accounts for July-March suggest that fiscal deficit is likely to miss the revised target for FY11.

### Revenues (billion Rs)

	FY11			FY10
	BE <sup>1</sup>	RE <sup>2</sup>	(Jul-Mar)	
<b>Total revenues</b>	<b>2,574</b>	<b>2,485</b>	<b>1495</b>	<b>2078</b>
Tax revenue	1,859	1,881	1118	1473
Growth (YoY) %	-	-	10.1	10.7
of which: FBR revenue:	1,667	1,655	1020	1327
Non-tax revenues	716	605	378	605
Growth (YoY) %	-	-	-2.5	16.4

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

### Expenditures (billion Rs)

	FY11			FY10
	BE <sup>1</sup>	RE <sup>2</sup>	(Jul-Mar)	
<b>Total expenditures</b>	<b>3,259</b>	<b>3,297</b>	<b>2279</b>	<b>3007</b>
Current <sup>3</sup>	2,519	2,910	1910	2354
Growth (YoY) %	-	-	15.1	13.4
Interest payments	-	-	507	642
Defence	-	-	335	375
Development & net lending	740	387	353	653
Growth (YoY) %	-	-	-3.1	43.2

### Overall Balance (billion Rs)

	FY11			FY10
	BE <sup>1</sup>	RE <sup>2</sup>	(Jul-Mar)	
<b>Fiscal Balance<sup>4</sup></b>	<b>-685</b>	<b>-811</b>	<b>-783</b>	<b>-929</b>
Revenue Balance <sup>5</sup>	-	-	-415	-276
Primary Balance <sup>6</sup>	-	-	-276	-287

Government's reliance on domestic sources of financing, especially the banking system, has increased due to less than expected receipts from external financing.

### Financing of Fiscal Deficit (billion Rs)

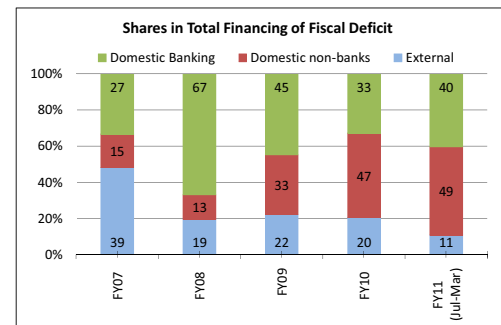
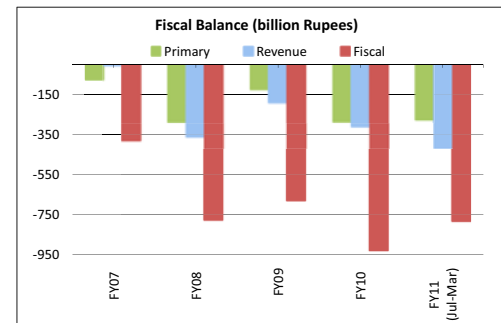
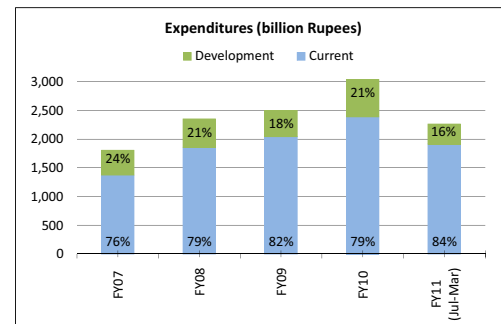
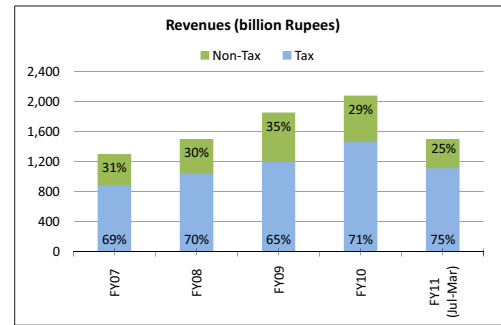
	FY11		FY10
	BE <sup>1</sup>	(Jul-Mar)	
<b>Financing</b>	<b>685</b>	<b>783</b>	<b>929</b>
1. External	186	83	189
2. Domestic: of which	499	700	740
Non-bank	333	384	436
Banking system: of which	166	316	305
Schedule Banks	166	333	263
SBP	0	-16	42
Privatization proceeds	-	-	-

### FBR Tax Collection (billion Rs)

	Direct	Sales	Customs	FED <sup>7</sup>	Total taxes
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	37	45	14	10	106
Mar-11	67	48	18	11	144
Apr-11	48	60	15	13	136
<b>Jul-Apr FY11<sup>8</sup></b>	<b>430</b>	<b>483</b>	<b>142</b>	<b>102</b>	<b>1156</b>
Jul-Apr FY10	388	417	126	95	1027

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

<sup>1</sup> Budget Estimates-as announced in the Federal Budget for FY11; <sup>2</sup> Revised estimates according to Fiscal Policy Statement 2010-11; <sup>3</sup> Inclusive of unidentified expenditures; <sup>4</sup> Fiscal balance = total revenue - total expenditure; <sup>5</sup> Revenue balance = total revenue - current expenditure; <sup>6</sup> Primary balance = total revenue - total expenditure + interest payment; <sup>7</sup> Federal excise duty; <sup>8</sup> FY11 data is provisional.



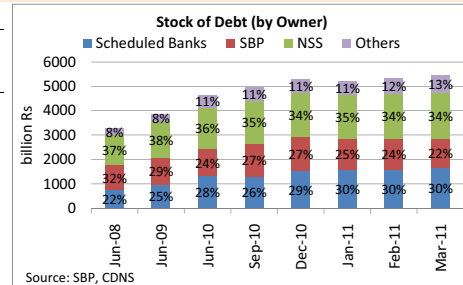


## Government Domestic Debt

**Domestic debt continues to accumulate due to high fiscal deficit and government borrowing at higher interest rate from the banking system.**

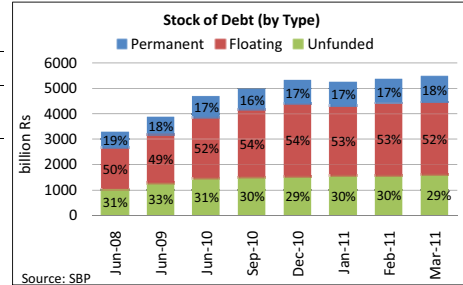
### Debt by Owner - end period stocks (billion Rs)

	Mar-11	Change		FY10
		Jul-Mar FY11		
Bank	2,867.0	427.2		2,439.9
Commercial banks	1,647.5	335.7		1,311.8
SBP	1,219.5	91.4		1,128.1
Non-bank	2,594.0	383.0		2,211.1
National Saving Schemes (NSS)	1,862.8	169.2		1,693.5
Others	731.2	213.7		517.5
Foreign Currency Instruments <sup>1</sup>	1.5	-1.6		3.1
<b>Total</b>	<b>5,462.6</b>	<b>808.6</b>		<b>4,654.0</b>



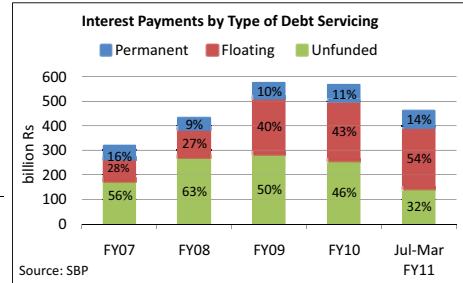
### Debt by Type - end period stocks (billion Rs)

	Mar-11	Change		FY10
		Jul-Mar FY11		
Long term	2,607.1	355.3		2,251.8
Permanent: of which	1,007.6	213.3		794.3
PIBs	561.3	56.0		505.3
Prize bonds	263.2	27.2		236.0
Unfunded: of which	1,599.5	142.0		1,457.5
NSS <sup>2</sup>	1,492.0	141.5		1,350.5
Short term (floating): of which	2,853.9	454.8		2,399.1
MTBs	1,637.6	410.1		1,227.4
MRTBs-replenishment	1,216.4	44.7		1,171.7
Foreign Currency Instruments <sup>1</sup>	1.5	-1.6		3.1
<b>Total</b>	<b>5,462.6</b>	<b>808.6</b>		<b>4,654.0</b>



<sup>1</sup> It includes FEBCS, FCBCs, DBCs and special USD bonds held by the residents.

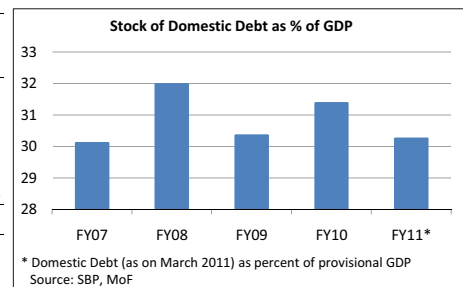
<sup>2</sup> NSS includes certificates and saving accounts only.



**Share of interest payments for floating debt in total debt servicing during Jul-Mar FY11 has increased to more than 50 percent.**

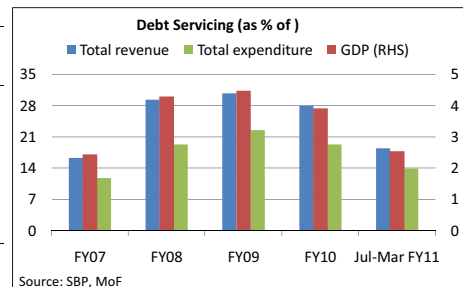
### Debt Servicing (billion Rs)

	Mar-11	Jul-Mar			FY10
		FY11	FY10	% change	
Permanent <sup>3</sup>	12.2	65.4	60.1	8.8	80.6
Floating	34.1	248.3	161.0	54.2	241.1
Unfunded	18.7	145.3	210.0	-30.8	259.7
<b>Total</b>	<b>65.0</b>	<b>459.0</b>	<b>431.2</b>	<b>6.5</b>	<b>581.4</b>



### Indicators of Domestic Debt Sustainability

	Debt Stock as % of GDP				
	FY07	FY08	FY09 <sup>4</sup>	FY10 <sup>4</sup>	FY11 <sup>5</sup>
	30.1	32.0	30.3	31.4	30.2
Debt Servicing as % of					
	FY07	FY08	FY09 <sup>4</sup>	FY10 <sup>4</sup>	FY11 <sup>6</sup>
GDP	2.4	4.3	4.5	3.9	2.5
Total revenue	16.3	29.4	30.8	28.0	18.5
Tax revenue	23.8	41.9	47.3	39.5	24.4
Total expenditure	11.8	19.3	22.5	19.3	13.9
Current expenditure	15.4	23.8	27.9	24.4	15.8



<sup>3</sup> Includes Prize bonds; <sup>4</sup> Revised GDP

<sup>5</sup> Debt stock (as on March 2011) as percent of provisional GDP for FY11.

<sup>6</sup> Debt Servicing during Jul-Mar FY11 as percent of provisional GDP and revised projections of revenue and expenditure.

Sources: Central Directorate of National Savings (CDNS), SBP and Ministry of Finance (MoF) <sup>P</sup>: Provisional figures



## External Debt

Although the pace has somewhat subsided, stock of external debt continues to increase during FY11 mainly due to loans from multilateral institutions and Paris club.

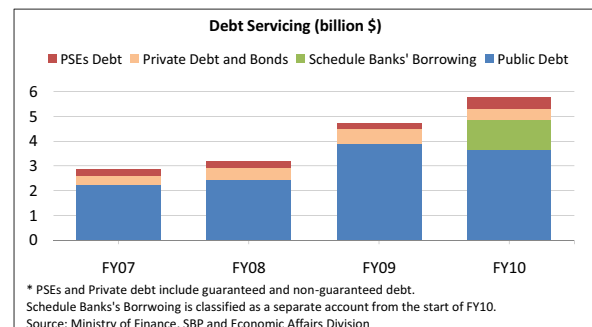
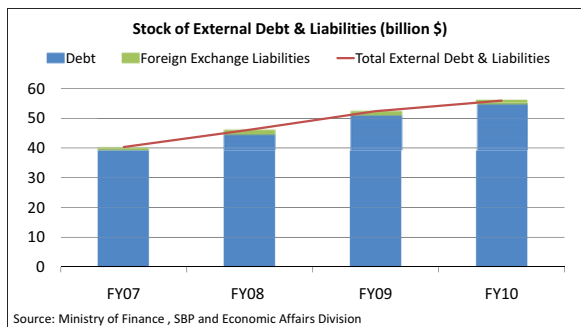
Debt & Liabilities - end period stocks (million \$)				Debt Servicing (million \$)		
Items	Mar-11 <sup>1</sup>	FY10 <sup>1</sup>	Change	Items	Jul-Mar FY11	FY10 <sup>1</sup>
1. Public debt (a+b+c)	55,604	52,107	3,497	1. Public debt (a+b+c)	1,990	3,672
a) Government Debt	45,565	42,908	2,657	a) Government debt	1,642	3,134
i) Medium and long term (>1 yr)	44,649	42,115	2,534	Principal	1,119	2,403
Paris club	15,133	13,958	1,175	Interest	523	731
Multilateral	25,147	23,694	1,453	b) From IMF	315	359
Other bilateral	1,850	1,782	68	Principal	186	240
Euro/Sukuk global bonds	1,550	1,550	0	Interest	129	120
Military debt	167	167	0	c) Foreign exchange liabilities	33	178
Commercial loans/credits	0	0	0	Principal	22	152
Local currency bonds (TBs & PIBs)	2	64	-62	Interest	11	27
Saudi fund for development. (SFD)	200	200	0	2. PSEs guaranteed debt	148	157
SAFE China deposits	500	500	0	Principal	131	123
NBP/BOC deposits	100	200	-100	Interest	16	34
ii) Short term (<1 yr)	916	793	123	3. PSEs non-guaranteed debt	190	297
IDB	916	793	123	Principal	171	270
b) From IMF	8,939	8,077	862	Interest	19	27
i) Federal government	1,979	1,055	924	4. Scheduled banks' borrowing	4,378	1,204
ii) Central bank	6,960	7,022	-62	Principal	4,373	1,196
c) Foreign exchange liabilities (FEL)	1,100	1,122	-22	Interest	5	8
2. PSE guaranteed debt	105	159	-54	5. Private guaranteed debt	0	51
3. PSE non-guaranteed debt	1,021	1,087	-66	6. Private non-guaranteed debt	234	383
4. Scheduled banks' borrowing	350	193	157	Principal	188	325
i) Medium and long term (>1 yr)	105	118	-13	Interest	46	58
ii) Short term (<1 year)	245	75	170	7. Private non-guaranteed bonds	5	23
5. Private guaranteed debt	0	0	0	Principal	0	13
6. Pvt. non-guaranteed debt (>1 yr)	2,332	2,231	101	Interest	5	10
7. Private non-guaranteed bonds	124	124	0	<b>Total external debt servicing</b>		
<b>Total external debt (excl. FEL)</b>	<b>58,436</b>	<b>54,779</b>	<b>3,658</b>	<b>(1+2+3+4+5+6+7)</b>	<b>6,945</b>	<b>5,787</b>
<b>Total external debt &amp; liabilities</b>				Principal	6,190	4,772
<b>(1+2+3+4+5+6+7)</b>	<b>59,536</b>	<b>55,901</b>	<b>3,636</b>	Interest	756	1,015

<sup>1</sup>Provisional

Debt stock as percent of GDP has declined, while debt servicing as percent of GDP has increased 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	29.4	28.1	30.8	33.4	32.2	2.3	2.0	2.1	3.0	3.3	29.4	28.1	30.8	33.4	32.2	2.3	2.0	2.1	3.0	3.3	29.4	28.1	30.8	33.4	32.2
Reserves	273.5	249.3	390.1	408.5	322.4	21.9	17.3	27.5	37.0	34.2	273.5	249.3	390.1	408.5	322.4	21.9	17.3	27.5	37.0	34.2	273.5	249.3	390.1	408.5	322.4
Exports	218.2	229.8	233.4	285.5	281.2	17.5	16.6	15.6	24.8	29.4	218.2	229.8	233.4	285.5	281.2	17.5	16.6	15.6	24.8	29.4	218.2	229.8	233.4	285.5	281.2



Sources: Economic Affairs Division and SBP



## Total Debt

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

### Total Debt Stock (billion Rs)

	Mar-11	FY10	Jul-Mar FY11	Share
<b>Total Debt &amp; Liabilities (I to VIII)</b>	<b>11,239.0</b>	<b>10,221.2</b>	<b>1,017.8</b>	<b>100.0</b>
<b>Total Public Debt (I to IV)</b>	<b>10,206.2</b>	<b>9,107.3</b>	<b>1,098.9</b>	<b>90.8</b>
<b>Total External Debt &amp; Liabilities (II to VI)</b>	<b>5,079.1</b>	<b>4,777.6</b>	<b>301.5</b>	<b>45.2</b>
<b>Commodity Operations &amp; PSEs Debt (VI to VIII)</b>	<b>793.4</b>	<b>896.1</b>	<b>-102.7</b>	<b>7.1</b>
<i>I. Government Domestic Debt</i>	5,462.6	4,654.0	808.6	48.6
<i>II. Government External Debt<sup>1</sup></i>	3,887.2	3,667.1	220.1	34.6
<i>III. Debt from IMF</i>	762.6	690.3	72.3	6.8
<i>IV. External Liabilities</i>	93.8	95.9	-2.1	0.8
<i>V. Private Sector External Debt</i>	239.4	217.8	21.6	2.1
<i>VI. PSEs External Debt</i>	96.1	106.5	-10.4	0.9
<i>VII. PSEs Domestic Debt</i>	404.8	375.0	29.8	3.6
<i>VIII. Commodity Operations Debt<sup>2</sup></i>	292.5	414.6	-122.1	2.6

### Total Debt Servicing (billion Rs)

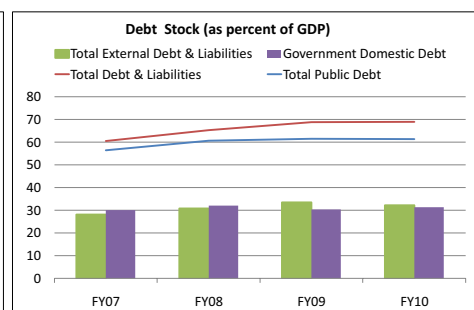
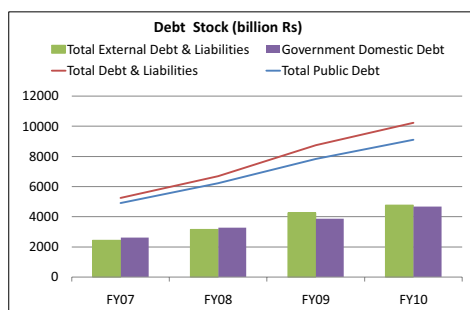
	Jul-Mar FY11	FY10
<b>Total Debt Servicing</b>	<b>1088.3</b>	<b>1082.5</b>
Total Interest Payment	558.3	678.9
<i>Domestic Debt</i>	453.3	577.7
<i>External Debt</i>	63.8	83.6
<i>External Liabilities<sup>3</sup></i>	0.9	2.3
<i>Domestic Liabilities</i>	40.3	15.3
Principal Repayment of External Debt & Liabilities	530.0	403.6

### Debt stock (as percent of GDP)

	FY07	FY08	FY09	FY10
<b>Total Debt &amp; Liabilities</b>	<b>60.5</b>	<b>65.3</b>	<b>68.7</b>	<b>68.9</b>
Total Public Debt	56.4	60.7	61.5	61.4
Total External Debt & Liabilities	28.1	30.8	33.4	32.2
Government Domestic Debt	30.1	32.0	30.3	31.4
Commodity Operations & PSEs Debt & Liabilities	3.2	3.4	5.6	6.0

### Debt servicing (as a percent of)

	FY07	FY08	FY09	FY10
Tax revenue	55.6	61.6	80.5	73.5
Total revenue	38.1	43.2	52.4	52.1
Total expenditure	29.5	28.4	38.3	36.0
Current expenditure	36.0	34.8	47.5	45.4
GDP	5.7	6.3	7.6	7.3



Note: <sup>1</sup> Rupee value of external debt computed by applying the corresponding end period average exchange rate to the end-period stock; <sup>2</sup> This includes borrowings from banks by provincial governments and PSEs for commodity operations; <sup>3</sup> Rupee value of external liabilities computed by applying the corresponding period average exchange

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



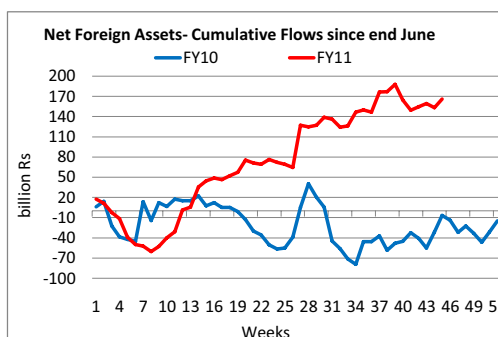
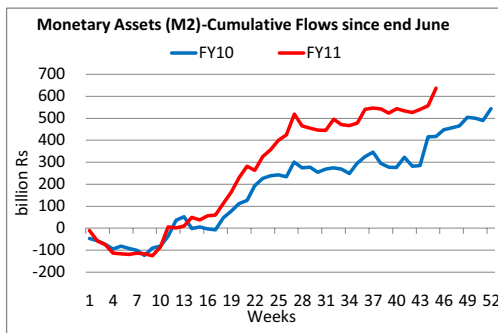
## Monetary and Credit Aggregates

**Growth in broad money supply (M2) accelerated due to both expansion in NDA, largely caused by heavy government budgetary borrowings, and significant accumulation in NFA of the banking system.**

### Monetary Assets of Banking System

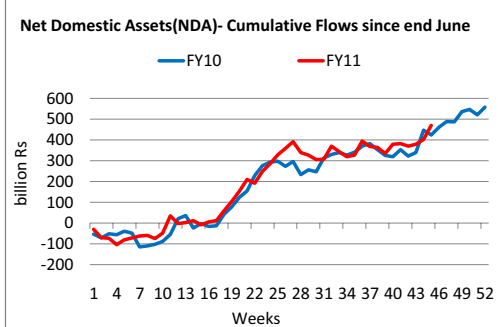
(billion Rs)

	End June 2010 Stocks	Cumulative Flows since end June		FY10
		Latest week	A year ago	
		7-May-11	7-May-10	
<b>NFA</b>	<b>545.3</b>	<b>165.7</b>	<b>-6.8</b>	<b>49.4</b>
<b>NDA</b>	<b>5232.0</b>	<b>470.2</b>	<b>423.1</b>	<b>590.6</b>
<b>Government borrowings: of wh.</b>	<b>2440.9</b>	<b>491.3</b>	<b>340.5</b>	<b>406.6</b>
Budgetary borrowing	2011.5	614.1	365.9	330.4
Commodity operations	413.2	-127.1	-24.6	77.0
<b>Non-govt. sect. borrowings: of wh.</b>	<b>3388.8</b>	<b>120.3</b>	<b>197.4</b>	<b>198.8</b>
Private sector	3019.8	112.8	130.2	112.9
PSEs	351.4	7.0	66.4	85.0
<b>Other items (net)</b>	<b>-597.8</b>	<b>-141.4</b>	<b>-114.9</b>	<b>-14.9</b>
<b>M2</b>	<b>5777.2</b>	<b>635.9</b>	<b>416.3</b>	<b>640.0</b>



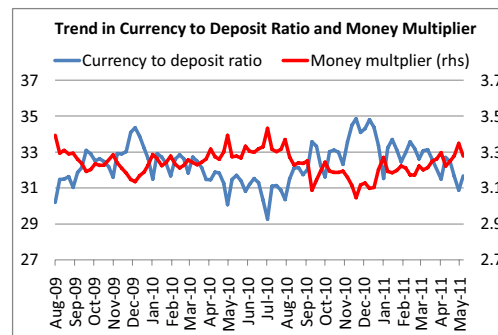
### Monetary Liabilities of Banking System

<b>Currency in circulation</b>	<b>1295.4</b>	<b>244.6</b>	<b>175.8</b>	<b>143.2</b>
<b>Total deposits with banks</b>	<b>4475.2</b>	<b>387.6</b>	<b>238.7</b>	<b>494.8</b>
Demand deposits with banks	3594.1	266.9	187.7	387.6
Time deposits with banks	535.7	97.9	-2.9	42.1
RFCDs with banks	345.4	22.8	53.8	65.1
<b>M2</b>	<b>5777.2</b>	<b>635.9</b>	<b>416.3</b>	<b>640.0</b>



### Percent Growth in Monetary Assets of Banking System

	YoY (7-May-11)	Since end June		FY10
		7-May-11	7-May-10	
		7-May-11	7-May-10	
<b>NFA</b>	<b>45.4</b>	<b>30.4</b>	<b>-1.4</b>	<b>10.0</b>
<b>NDA</b>	<b>12.6</b>	<b>9.0</b>	<b>9.1</b>	<b>12.7</b>
<b>Government borrowings</b>	<b>23.5</b>	<b>20.1</b>	<b>16.7</b>	<b>20.0</b>
Budgetary borrowing	36.7	30.5	14.2	19.7
Commodity operations	6.0	-30.8	-19.7	22.9
<b>Non-government sector borrowings</b>	<b>3.6</b>	<b>3.5</b>	<b>7.4</b>	<b>6.2</b>
Private sector	3.1	3.7	5.1	3.9
PSEs	7.7	2.0	32.8	31.9
<b>Other items (Net)</b>	<b>-3.0</b>	<b>23.6</b>	<b>26.1</b>	<b>2.5</b>
<b>M2</b>	<b>15.5</b>	<b>11.0</b>	<b>8.1</b>	<b>12.5</b>



### Memorandum Items

(billion Rs)

	Latest week	A year ago	FY10
	7-May-11	7-May-10	
	Money multiplier	3.3	
Currency to deposit ratio	31.7	31.5	29.0
M2 to GDP ratio	43.2	43.6	38.3
Private sector credit to GDP ratio	21.1	23.9	20.6

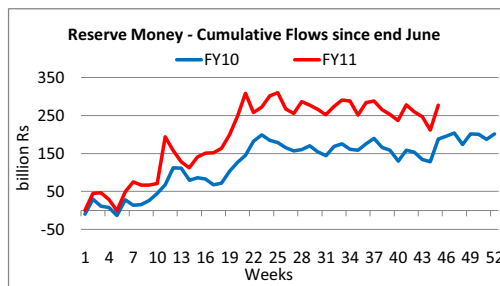
\*All FY11 numbers are provisional; Source: Statistics & Data Warehouse Department (S&DWD), SBP



**Expansion in reserve money was largely due to a considerable increase in government's budgetary borrowings from SBP.**

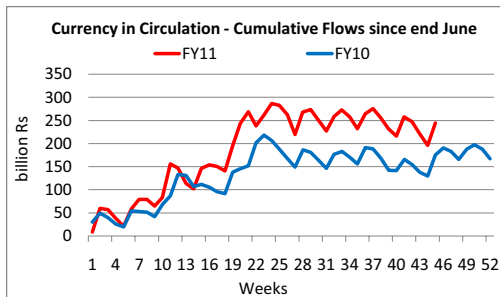
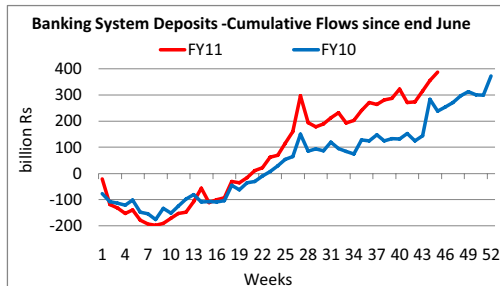
**Monetary Assets of SBP** (billion Rs)

	End June 2010 Stocks	Cumulative Flows		FY10 (Provisional)
		Latest week	A year ago	
		7-May-11	7-May-10	
<b>NFA</b>	<b>378.7</b>	<b>106.2</b>	<b>25.1</b>	<b>75.9</b>
<b>NDA: of which</b>	<b>1300.6</b>	<b>171.1</b>	<b>163.4</b>	<b>95.9</b>
Budgetary borrowing	1208.7	217.4	163.9	44.0
Other items (net)	-231.0	-61.4	-17.0	42.3
Net Impact of OMOs/Discounting	7.7	-39.1	-36.2	3.1
<b>Reserve money</b>	<b>1679.3</b>	<b>277.4</b>	<b>188.6</b>	<b>171.7</b>



**Monetary Liabilities of SBP** (billion Rs)

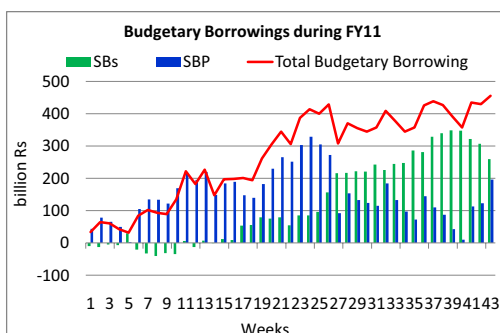
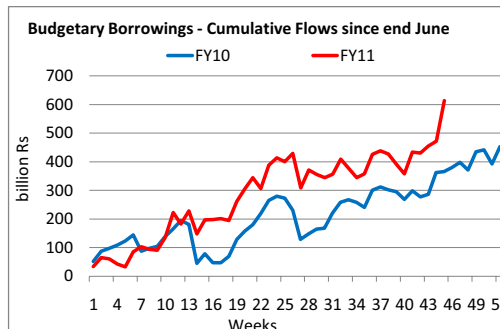
	End June 2010 Stocks	Cumulative Flows		FY10
		Latest week	A year ago	
		7-May-11	7-May-10	
Currency in circulation	1295.4	244.6	175.8	143.2
Cash in tills	87.7	-6.4	-12.9	10.7
Bank deposits with SBP (reserves)	289.6	35.5	23.8	15.8
Other deposits with SBP	6.7	3.7	1.8	2.0
	<b>YoY (7-May-11)</b>	<b>Percent growth</b>		
<b>NFA of the SBP</b>	<b>47.9</b>	<b>28.1</b>	<b>8.3</b>	<b>25.0</b>
<b>NDA of the SBP: of which</b>	<b>7.6</b>	<b>13.2</b>	<b>13.6</b>	<b>8.0</b>
Budgetary borrowing	7.3	18.0	14.1	3.8
Other items (net)	0.7	26.6	6.2	-15.5
<b>Reserve money</b>	<b>15.4</b>	<b>16.5</b>	<b>12.5</b>	<b>11.4</b>



**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	
		7-May-11	7-May-10	
<b>Budgetary Borrowing</b>	<b>2011.5</b>	<b>614.1</b>	<b>365.9</b>	<b>330.4</b>
<b>Federal government</b>	<b>2188.8</b>	<b>676.5</b>	<b>362.2</b>	<b>339.7</b>
From SBP	1141.7	285.0	148.5	30.1
SBP's Holdings of MRTBs	1124.9	340.8	1214.6	17.1
From SBs	1047.0	391.5	213.7	309.5
<b>Provincial governments</b>	<b>-177.3</b>	<b>-62.4</b>	<b>3.8</b>	<b>-9.2</b>
From SBP <sup>1</sup>	66.9	-67.6	15.5	13.9
From SBs <sup>2</sup>	-244.2	5.2	-11.7	-23.1
<b>Memorandum Items</b>				
<b>Cash basis</b>	<b>1934.6</b>	<b>624.1</b>	<b>805.2</b>	<b>304.6</b>
SBP	1171.4	213.3	681.1	41.9
SBs	763.1	410.9	124.2	262.6



<sup>1</sup> Current overdraft ceilings for provinces are: Rs37 billion for Punjab; Rs15 billion for Sindh; Rs10.1 billion for KPK; Rs7.1 billion for Baluchistan, Rs2.7 billion for AJK.

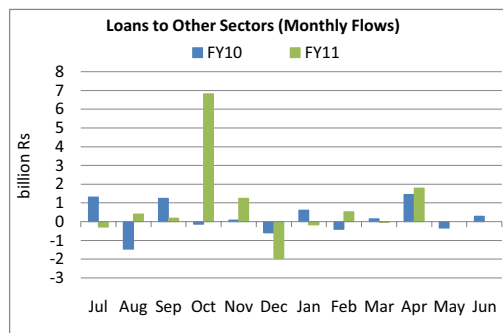
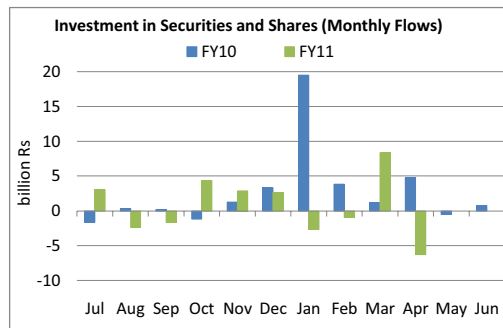
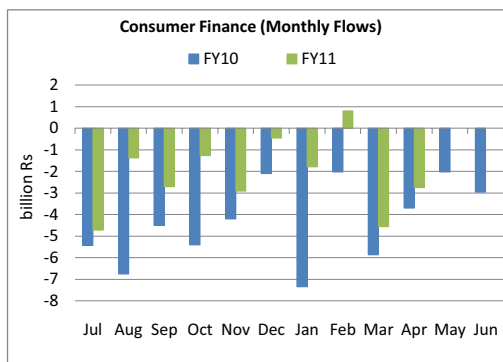
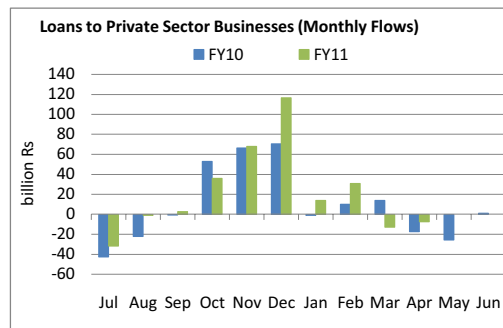
<sup>2</sup> The end-June 2010 net stock of borrowings was negative as provincial governments' deposits with scheduled banks exceeded their borrowings.



**Retirement of private sector credit during FY11 started earlier than the normal cycle as increase in credit was entirely meant for short-term working capital requirements.**

**Credit to Private Sector**

	End June 2010 Stocks	Flows during (billion Rs)		
		Jul-Apr-FY11	Jul-Apr-FY10	FY10
<b>Total credit to private sector</b>	<b>3020.3</b>	<b>156.7</b>	<b>144.2</b>	<b>113.0</b>
<b>1. Loans to private sector businesses</b>	<b>2258.5</b>	<b>214.6</b>	<b>130.3</b>	<b>105.5</b>
<b>By type</b>				
Working capital: of which	1418.7	219.3	67.4	40.6
Export finance	239.8	34.6	18.2	12.0
Import finance	105.0	33.5	2.8	11.1
Fixed investment	839.9	-4.7	62.9	64.9
<b>By Sectors: of which</b>				
<b>Agriculture</b>	<b>169.5</b>	<b>↑ 5.7</b>	<b>↑ 6.6</b>	<b>↑ 7.0</b>
<b>Manufacturing: of which</b>	<b>1263.6</b>	<b>↑ 189.5</b>	<b>↑ 71.7</b>	<b>↑ 31.8</b>
Textiles	470.2	↑ 93.0	↑ 16.0	↓ -12.8
Food products & beverages	214.3	↑ 81.8	↑ 28.1	↑ 10.8
Chemicals & products	156.8	↓ -0.9	↑ 19.8	↑ 19.2
Non-metallic mineral products	102.7	↓ -1.2	↑ 1.3	↑ 0.7
Wearing apparel, readymade gar	48.1	↑ 3.8	↑ 0.4	↓ -0.3
<b>Electricity, gas and water</b>	<b>215.5</b>	<b>↑ 42.1</b>	<b>↑ 52.8</b>	<b>↑ 61.1</b>
<b>Construction</b>	<b>67.1</b>	<b>↓ -1.0</b>	<b>↓ -2.5</b>	<b>↓ -3.9</b>
<b>Commerce and trade</b>	<b>229.7</b>	<b>↓ -21.6</b>	<b>↓ -9.3</b>	<b>↓ -4.0</b>
<b>Transport, storage and comm.</b>	<b>105.1</b>	<b>↑ 3.5</b>	<b>↑ 6.2</b>	<b>↑ 7.8</b>
<b>Services: of which</b>	<b>161.2</b>	<b>↓ -10.0</b>	<b>↑ 6.2</b>	<b>↑ 11.7</b>
Real estate/renting & business ac	113.2	↓ -2.9	↑ 0.4	↑ 6.0
<b>2. Personal: of which</b>	<b>321.5</b>	<b>↓ -20.6</b>	<b>↓ -39.4</b>	<b>↓ -42.7</b>
Consumer financing	242.0	↓ -21.8	↓ -47.4	↓ -49.5
<b>3. Investment in securities and shares</b>	<b>145.1</b>	<b>↑ 7.3</b>	<b>↑ 31.7</b>	<b>↑ 31.9</b>
<b>4. Others</b>	<b>295.2</b>	<b>↓ -44.7</b>	<b>↑ 21.6</b>	<b>↑ 18.3</b>





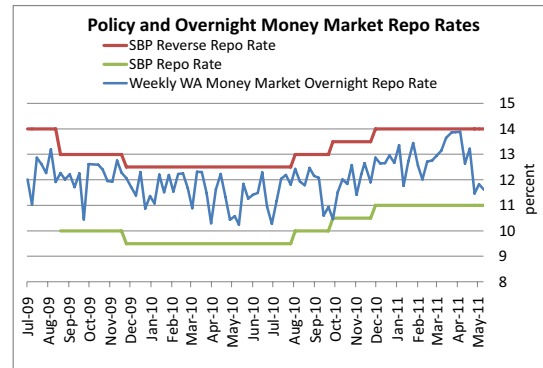
## Money Market

**SBP raised the SLR for Islamic banks to 14% from 9% w.e.f 1st April 2011.**

	Policy Instruments (%)				
	Current	w.e.f	Previous	w.e.f	Change <sup>1</sup>
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	14.0	1-Apr-11	9.0	24-May-08	↑ 500
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

<sup>1</sup> Basis points

DL: Demand Liabilities; TL: Time Liabilities



**Banks' holding of excess cash reserves with SBP increased during the week ending on 12th May 2011 as compared to last month.**

	Weekly Cash Reserve Requirements <sup>1</sup> (billion Rs)			
	Week Ended		Change since	
	Current	Last month	21-Apr-11	20-Nov-09 <sup>2</sup>
	12-May-11	21-Apr-11		
Cash Required	207.3	202.5	↑ 4.8	↑ 38.4
Cash Maintained	214.2	208.4	↑ 5.9	↑ 39.3
Excess Cash Reserves (per day)	7.2	6.1	↑ 1.1	↑ 1.3

<sup>1</sup> 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.

<sup>2</sup> As on Friday preceding the monetary policy decision of a change in policy rate.

	Weighted Average O/N Market Repo Rate Trends (%)				
	Q1	Q2	Q3	Q4	YTD
W.A.O/N Repo Rate <sup>1</sup>	11.68	12.10	13.01	12.62	12.29
Standard Deviation	0.61	0.61	0.63	0.92	0.81
CoV <sup>2</sup>	0.05	0.05	0.05	0.07	0.07

	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	11.71
Standard Deviation	0.60	0.58	0.59	0.71	0.71
CoV <sup>2</sup>	0.05	0.05	0.05	0.06	0.06

<sup>1</sup> Weekly Weighted Average O/N Repo Rate

<sup>2</sup> Coefficient of Variation

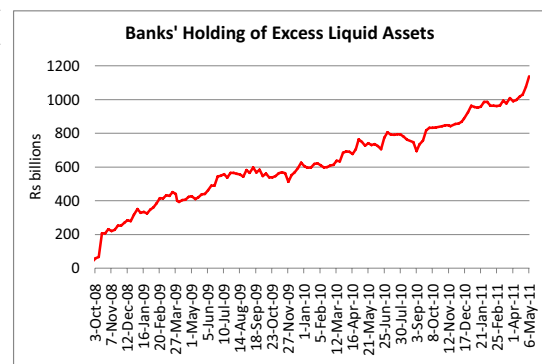
**Banks' holding of excess liquid assets increased sharply in May 2011 due to a rise in their holding of government securities.**

	Overall Reserve Requirement (billion Rs)				
	As of	Last Month		Change since	
		6-May-11	21-Apr-11	21-Apr-11	4-Oct-08
<b>Required Reserves</b>	<b>979.7</b>	<b>967.7</b>	<b>↑ 12.0</b>	<b>↑ 19.9</b>	
Cash <sup>1</sup>	207.3	204.8	↑ 2.6	↓ -67.0	
Securities <sup>2</sup>	772.4	762.9	↑ 9.5	↑ 86.9	
<b>Maintained</b>	<b>2116.8</b>	<b>1998.0</b>	<b>↑ 118.8</b>	<b>↑ 1098.0</b>	
Cash	350.9	358.3	↓ -7.4	↓ -37.9	
Cash in Tills	96.3	103.0	↓ -6.7	↑ 8.2	
Balance with SBP	237.1	237.1	↓ 0.0	↓ -51.6	
Balance with NBP	17.5	18.2	↓ -0.7	↑ 5.4	
Securities	1729.6	1603.4	↑ 126.2	↑ 1116.5	
Others <sup>3</sup>	36.3	36.3	↑ 0.0	↑ 19.5	
<b>Excess of Liquid Assets<sup>4</sup></b>	<b>1137.1</b>	<b>1030.3</b>	<b>↑ 106.8</b>	<b>↑ 1078.2</b>	

Source: Off-site Supervision and Enforcement Department, SBP

<sup>1</sup> Required under weekly average CRR

<sup>2</sup> Required under SLR



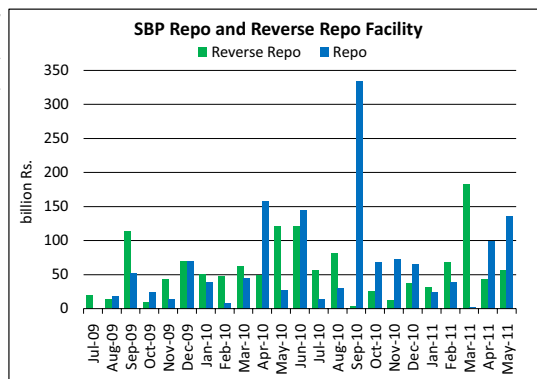
<sup>3</sup> Includes Section 13(3) deposits and share capital of MFBs.

<sup>4</sup> Includes excess securities + cash and other assets maintained.



*Bank's increased use of SBP repo facility since April 2010 reflects comfortable market liquidity conditions.*

	SBP Reverse Repo		SBP Repo	
	Amount	Days	Amount	Days
	billion Rs	No.	billion Rs	No.
<b>FY10</b>	<b>724.2</b>	<b>54</b>	<b>578.5</b>	<b>49</b>
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
<b>FY11</b>	<b>601.8</b>	<b>47.0</b>	<b>911.0</b>	<b>72.0</b>
Q1	142.2	13	402.3	21
Q2	77.1	10	207.2	26
Q3	283.0	16	65.4	11
Apr	43.3	5	99.7	9
May	56.3	3	136.4	5

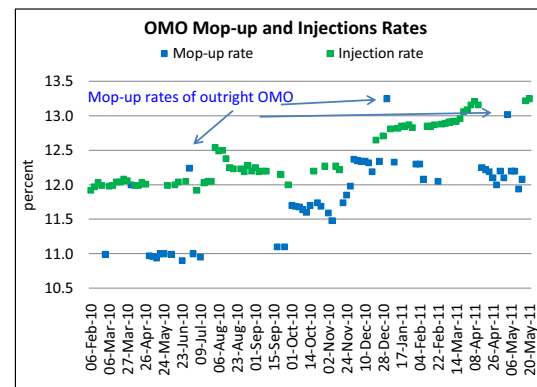
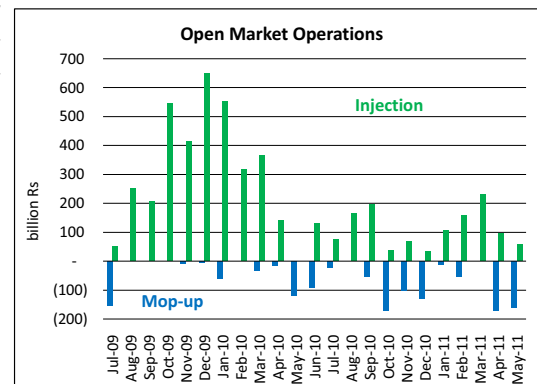


\*Updated upto 20th May 2011

Source: Domestic Markets & Monetary Management Department, SBP

*Net OMO mop-ups during May 2010 also indicate excess liquidity in the system.*

	Open Market Operations (billion rupees) <sup>#</sup>			Outstanding OMOs	
	Mop-up	Injection	Net Mop-up*	Amount	Maturity
	<b>FY10</b>	<b>489.7</b>	<b>3,621.0</b>	<b>(3,131.3)</b>	-
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)	-	-
<b>FY11</b>	<b>869.3</b>	<b>1,185.3</b>	<b>(316.0)</b>	-	-
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	-	230.9	(230.9)	-	-
Apr	170.0	96.8	73.2	-	-
May	159.2	56.7	102.6	-	-
4-May	34.0	-	34.0	-	-
6-May	61.0	-	61.0	61.0	2-Aug
6-May	15.2	-	15.2	-	-
7-May	17.5	-	17.5	-	-
11-May	6.0	-	6.0	-	-
13-May	25.5	-	25.5	-	-
17-May	-	22.7	(22.7)	-	-
20-May	-	34.0	(34.0)	(34.0)	27-May



# Updated upto 20th May 2011

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

Source: Domestic Markets & Monetary Management Department, SBP



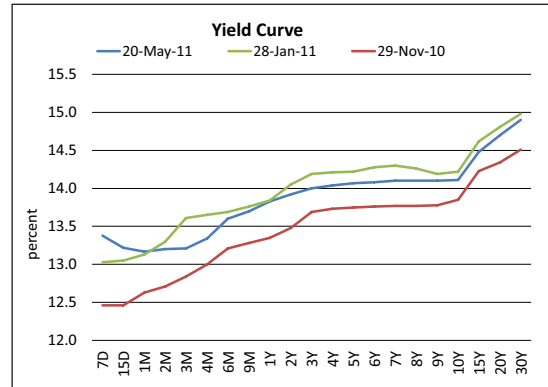
*The yield curve shifted downward as market rates rationalized after SBP kept the policy rate unchanged in January 2011 against the market expectations of a hike.*

**Pak Rupee Revaluation (PKRV) Rates<sup>1</sup> (%)**

Tenors	Current	last month	Change since last policy rate change*	
	20-May-11	29-Apr-11		29-Nov-10
1-week	13.38	12.40	↑	92
2-week	13.22	12.49	↑	76
1-month	13.17	12.83	↑	54
3-month	13.21	13.10	↑	37
6-month	13.60	13.47	↑	39
9-month	13.70	13.60	↑	42
1-year	13.83	13.80	↑	48
2-year	13.92	13.95	↑	44
3-year	14.00	13.98	↑	31
5-year	14.07	14.03	↑	32
7-year	14.10	14.07	↑	33
10-year	14.11	14.09	↑	26
20-year	14.70	14.68	↑	36
30-year	14.90	14.90	↑	39

Source: Financial Market Association of Pakistan

\* In basis points



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

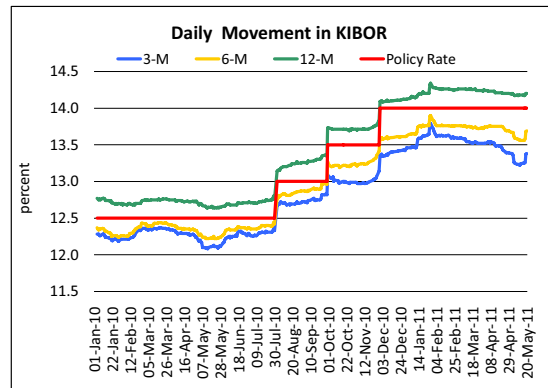
*KIBOR of short tenors declined during the last two months that reflects improved market liquidity.*

**Tenor-wise KIBOR (%)**

Tenors	Current	last month	Change since last policy rate change*	
	20-May-11	29-Apr-11		29-Nov-10
1-Week	13.64	12.76	↑	67
2-Week	13.57	12.93	↑	60
1-Month	13.55	13.22	↑	52
3-Month	13.38	13.39	↑	24
6-Month	13.69	13.69	↑	28
9-Month	14.08	14.09	↑	35
12-Month	14.20	14.20	↑	37
2-Year	14.30	14.31	↑	38
3-Year	14.41	14.43	↑	39

Source: SBP and Financial Market Association of Pakistan

\* In basis points

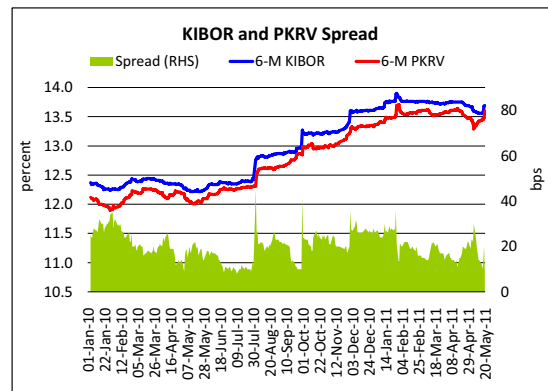


*The spread between 6-month KIBOR and 6-month PKRV rates has decreased during May 2011.*

**KIBOR and PKRV Spread (basis points)**

Tenors	Current	last month	Change since last policy rate change	
	20-May-11	29-Apr-11		29-Nov-10
1-Week	26	36	↓	-25
2-Week	35	44	↓	-16
1-Month	38	39	↓	-2
3-Month	17	29	↓	-13
6-Month	9	22	↓	-11
9-Month	38	49	↓	-7
12-Month	37	40	↓	-11
2-Year	38	36	↓	-6
3-Year	41	45	↑	8

Sources: SBP

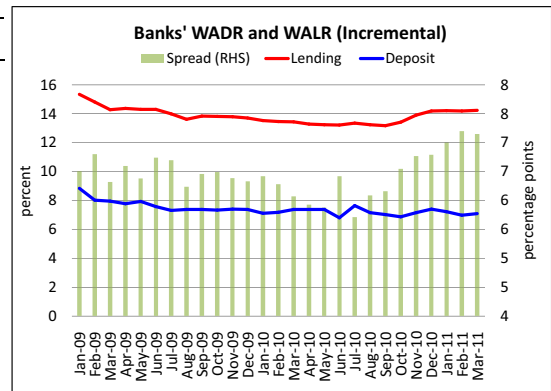




*The spread between WALR and WADR was slightly lower in March 2011 primarily due to relatively higher increase in deposit rates.*

Weighted average Lending and Deposit Rates (percent per annum)

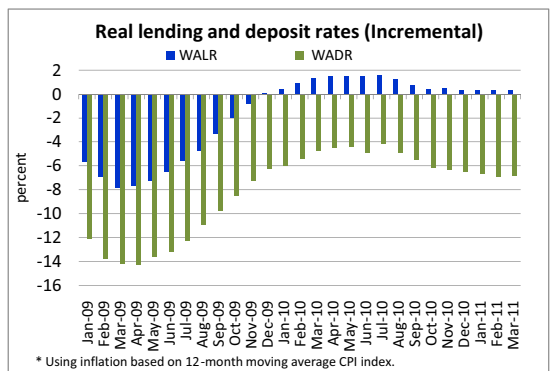
Months	Incremental <sup>1</sup>			Outstanding		
	WALR	WADR	Spread (bps)	WALR	WADR	Spread (bps)
Mar-10	13.44	7.37	607	13.40	6.10	730
Apr-10	13.30	7.37	593	13.42	6.03	739
May-10	13.25	7.37	588	13.40	6.05	735
Jun-10	13.22	6.80	642	13.39	5.79	760
Jul-10	13.36	7.65	571	13.35	5.84	751
Aug-10	13.24	7.15	609	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	13.62	6.02	760
Feb-11	14.19	6.99	720	13.55	6.04	751
Mar-11	14.24	7.09	715	13.55	5.97	758



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

*Real lending and deposit rates increased in March 2011 mainly due to slight increase in nominal rates.*

Months	Real (based on 12-month MA inflation) <sup>1</sup>		Real (based on YoY inflation) <sup>2</sup>	
	WALR	WADR	WALR	WADR
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
Feb-11	0.29	-6.91	1.28	-5.92
<b>Mar-11</b>	<b>0.33</b>	<b>-6.82</b>	<b>1.08</b>	<b>-6.07</b>



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

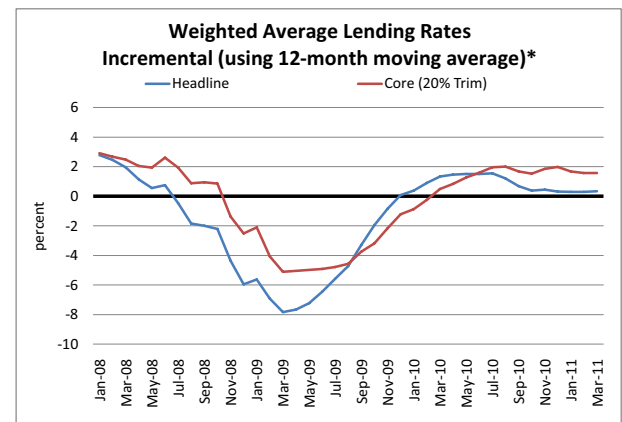
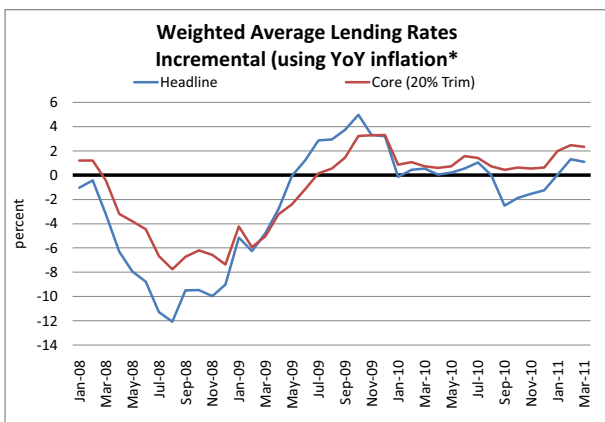
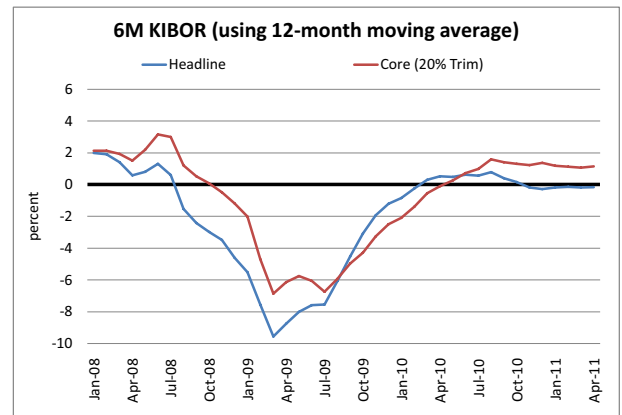
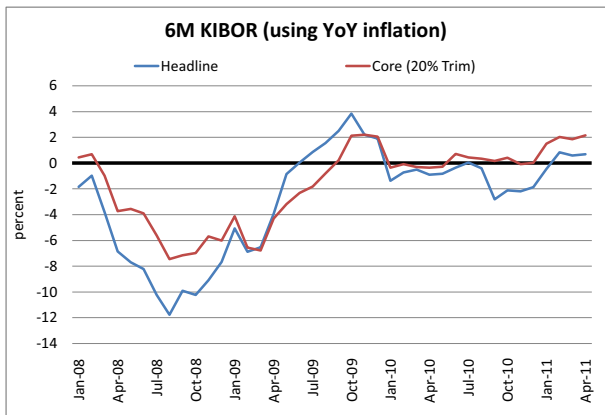
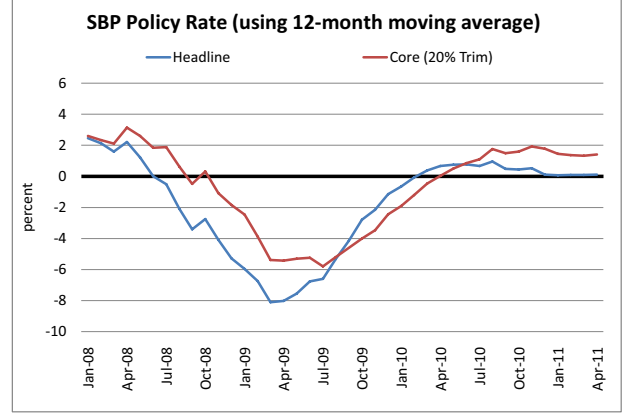
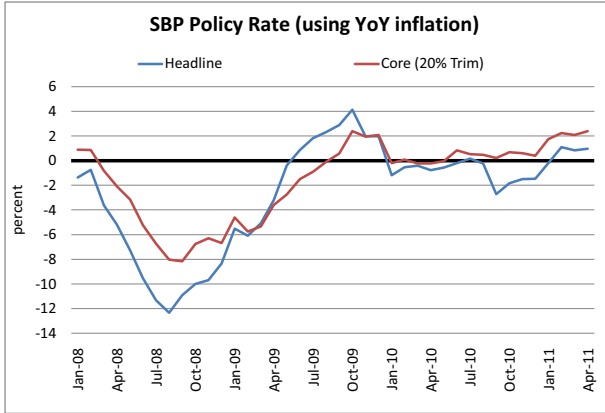
<sup>1</sup> Nominal rate less CPI inflation (12-month moving average).

<sup>2</sup> Nominal rate less CPI inflation (year on year).

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



# Real Interest Rates



Sources: FBS and Statistics & Data Warehouse Department, SBP

\* The data of WALR for April is not available yet.



**Relatively higher bids for 6-month T-bills in recent auctions indicate banks are not expecting any change in policy rate in near future.**

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

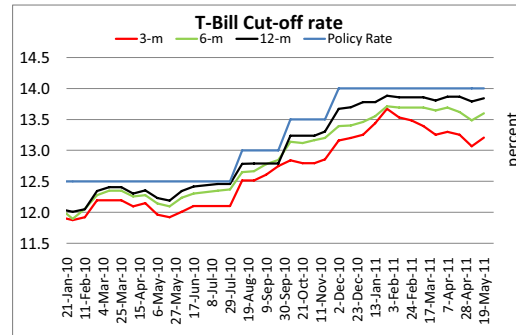
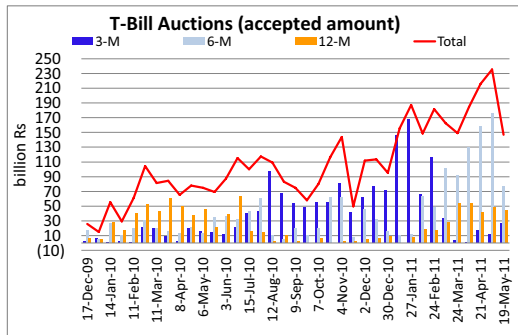
FY/Q/ Settlement Date	TOTAL				3-Month			6-Month			12-Month			Non- competitive bids (Accepted)#
	Target	Maturity	Offered	Accepted	Offered	Accepted	Cutoff*	Offered	Accepted	Cutoff*	Offered	Accepted	Cutoff*	
<b>FY10</b>	<b>1,360.0</b>	<b>1,106.5</b>	<b>2,875.1</b>	<b>1,376.0</b>	<b>523.2</b>	<b>199.9</b>	-	<b>797.3</b>	<b>362.4</b>	-	<b>1,554.5</b>	<b>813.7</b>	-	<b>65.9</b>
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
<b>FY11</b>	<b>2,825.0</b>	<b>2,856.0</b>	<b>4,658.5</b>	<b>2,831.9</b>	<b>2,399.8</b>	<b>1,309.0</b>	-	<b>1,667.2</b>	<b>1,180.4</b>	-	<b>591.5</b>	<b>342.6</b>	-	<b>288.4</b>
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
Q3	980.0	883.8	1,512.5	942.2	942.7	490.2	13.25	385.2	326.9	13.64	184.6	125.1	13.80	100.2
7-Apr	200.0	237.5	258.7	184.7	63.8	1.1	13.30	137.3	130.4	13.69	57.7	53.3	13.87	25.2
21-Apr	225.0	292.4	328.5	215.7	42.7	16.4	13.25	241.9	157.5	13.62	43.9	41.8	13.87	23.9
5-May	200.0	206.4	455.7	235.4	47.5	11.9	13.07	296.6	175.2	13.48	111.6	48.4	13.79	28.7
#	150.0	126.0	176.1	146.8	27.5	26.3	13.21	93.3	76.5	13.60	55.4	44.1	13.84	25.1

Source: Domestic Markets & Monetary Management Department, SBP

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

R: Bids rejected; N: No bids received

\*Quarterly rate are for end-period.



**Government has accepted higher than the target amount in last three PIB 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
27-Apr-11	Cut-off rate	-	14.00	14.07	R	14.10	R	R	-
	Offered	-	9.28	4.85	0.65	25.80	0.05	1.00	0.95
	Accepted	20.00	5.48	3.45	R	14.53	R	R	23.46
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	0.30	3.30
	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	2.54
	Accepted	20.00	5.10	1.85	R	13.58	R	R	20.54

\*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 Rs45.8 billion in the latest Ijara Sukuk auction held on 9th May 2011.**

Auction Date #	Settlement Date	Target	Total Offered	Total Accepted	Cut-off Margin*
9-May-11	16-May-11	45.00	51.25	45.80	0.00
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 been depreciating against dollar since end of April 2011 largely due to debt and oil related payments.*

	PKR against International Currencies			% App/(Dpp) of PKR
	Latest 20 May 11	Last MPS 26 Mar 11	Jun-10	Cumulative since Jun-10
USD	86.18	85.36	85.51	(0.77)
Euro	123.19	120.22	104.82	(14.91)
Sterling	140.16	136.96	128.35	(8.42)
JPY	1.06	1.05	0.96	(8.73)
USD Kerb*	86.00	85.25	85.45	(0.64)
Premium (Rs)	(0.18)	(0.11)	(0.06)	-
Daily NEER*	50.10	50.74	54.61	(8.25)

\* Nominal Effective Exchange Rate - data is available up to 19 May 2011

Source: SBP

	International Exchange Rates			% App/(Dpp) of USD
	Latest 20 May 11	Last MPS 26 Mar 11	Jun-10	Cumulative since Jun-10
EUR/USD	1.43	1.41	1.23	(14.25)
GBP/USD	1.63	1.60	1.50	(7.71)
USD/JPY	81.55	81.32	88.65	(8.01)
USD/INR	44.97	44.70	46.57	(3.45)
USD/CNY	6.49	6.56	6.78	(4.27)
USD/THB	30.29	30.27	32.40	(6.51)
USD/MYR	3.01	3.03	3.24	(6.97)
USD/SGD	1.24	1.26	1.39	(11.45)

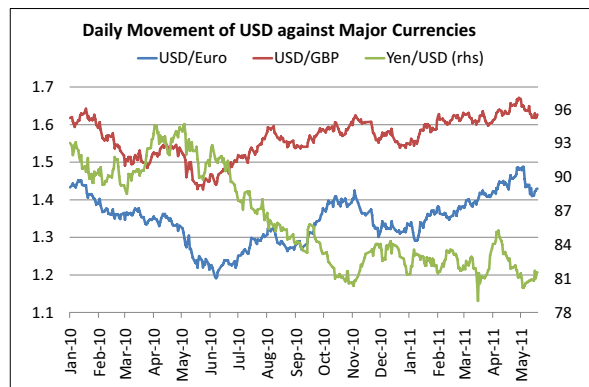
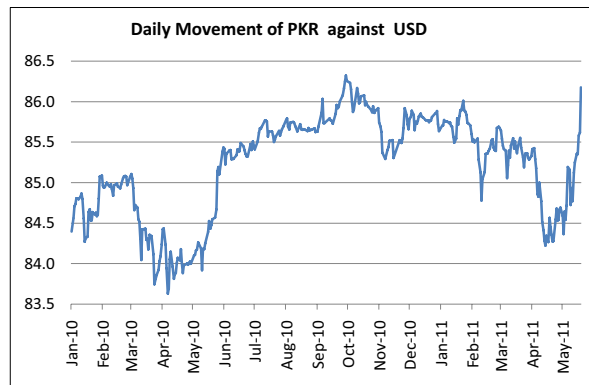
Source: SBP

**USD/PKR Interbank Exchange Rate Trends on Fiscal Year Basis**

	High	Low	Close	Average	Volatility C/C <sup>1</sup>
FY10	85.58	81.40	85.51	83.89	3.02
FY11*	86.40	83.93	86.18	85.52	2.26

<sup>1</sup> Reuters: Average Close-to-Close Daily Volatility (in %)

\*Updated up to 20th May 2011



**USD/PKR Interbank Exchange Rate Trends on Quarterly Basis**

	High	Low	Close	Average	Volatility C/C <sup>1</sup>
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	2.98
Q4-FY10	85.58	83.50	85.51	84.60	3.78
Q1-FY11	86.35	85.40	86.32	85.73	1.53
Q2-FY11	86.34	85.13	85.64	85.79	1.93
Q3-FY11	86.08	84.75	85.36	85.52	2.41
Q4-FY11*	86.40	83.93	86.18	84.83	3.47

<sup>1</sup> Reuters: Average Close-to-Close Daily Volatility (in %)

\*Updated up to 20th May 2011



*In real terms, PKR has shown slight appreciation during Jul-Apr FY11 on account of relatively higher domestic inflation.*

## Changes in Real Effective Exchange Rate (REER) Base Year: CY2000

		REER Index	App(+)/Dep(-)											
			2008		2009				2010				2011	
			Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Apr <sup>p</sup>
2008	Sep	90.54	-	5.42	7.75	3.41	2.40	1.63	6.92	11.99	13.49	13.49	11.65	12.68
	Dec	95.45	-	-	2.21	-1.91	-2.86	-3.59	1.42	6.23	7.65	7.66	5.90	6.89
2009	Mar	97.56	-	-	-	-4.02	-4.96	-5.68	-0.77	3.93	5.32	5.33	3.62	4.58
	Jun	93.63	-	-	-	-	-0.98	-1.72	3.39	8.29	9.74	9.75	7.96	8.96
	Sep	92.72	-	-	-	-	-	-0.75	4.41	9.36	10.82	10.83	9.03	10.04
	Dec	92.02	-	-	-	-	-	-	5.21	10.19	11.66	11.67	9.85	10.87
2010	Mar	96.81	-	-	-	-	-	-	-	4.74	6.14	6.14	4.42	5.39
	Jun	101.40	-	-	-	-	-	-	-	-	1.34	1.34	-0.30	0.62
	Sep	102.75	-	-	-	-	-	-	-	-	-	0.01	-1.62	-0.71
	Dec	102.76	-	-	-	-	-	-	-	-	-	-	-1.63	-0.71
2011	Mar	101.09	-	-	-	-	-	-	-	-	-	-	-	0.93
	Apr <sup>p</sup>	102.03	-	-	-	-	-	-	-	-	-	-	-	-

<sup>p</sup> Provisional

## Changes in Exchange Rate (Rs/USD)

(Mid Rates) End Period

Weighted Average

		WA Exchange Rate	App(+)/Dep(-)											
			2008		2009				2010				2011	
			Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	20-May
2008	Sep	78.04	-	-1.34	-2.99	-4.12	-6.18	-7.39	-7.30	-8.69	-9.56	-8.95	-8.53	-9.15
	Dec	79.10	-	-	-1.67	-2.82	-4.90	-6.13	-6.04	-7.45	-8.33	-7.72	-7.28	-7.91
2009	Mar	80.44	-	-	-	-1.17	-3.29	-4.54	-4.44	-5.88	-6.77	-6.15	-5.71	-6.35
	Jun	81.39	-	-	-	-	-2.15	-3.41	-3.31	-4.77	-5.67	-5.04	-4.60	-5.24
	Sep	83.18	-	-	-	-	-	-1.29	-1.19	-2.68	-3.60	-2.96	-2.50	-3.16
	Dec	84.26	-	-	-	-	-	-	0.10	-1.40	-2.34	-1.69	-1.23	-1.90
2010	Mar	84.18	-	-	-	-	-	-	-	-1.50	-2.44	-1.79	-1.33	-2.00
	Jun	85.46	-	-	-	-	-	-	-	-	-0.95	-0.29	0.18	-0.50
	Sep	86.29	-	-	-	-	-	-	-	-	-	0.67	1.14	0.45
	Dec	85.71	-	-	-	-	-	-	-	-	-	-	0.47	-0.21
2011	Mar	85.31	-	-	-	-	-	-	-	-	-	-	-	-0.68
	20-May	85.89	-	-	-	-	-	-	-	-	-	-	-	-



## Capital Market

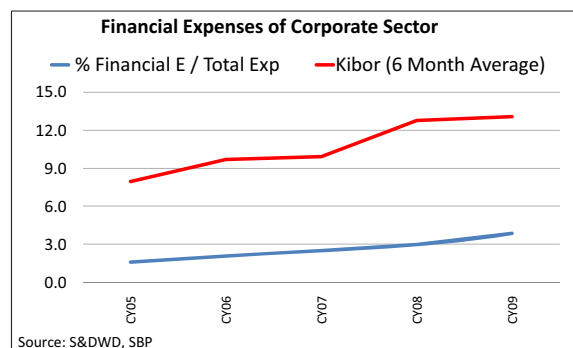
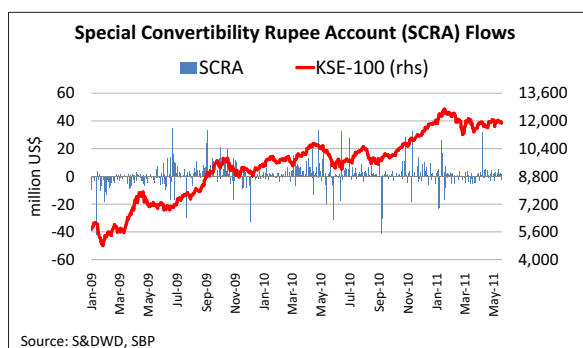
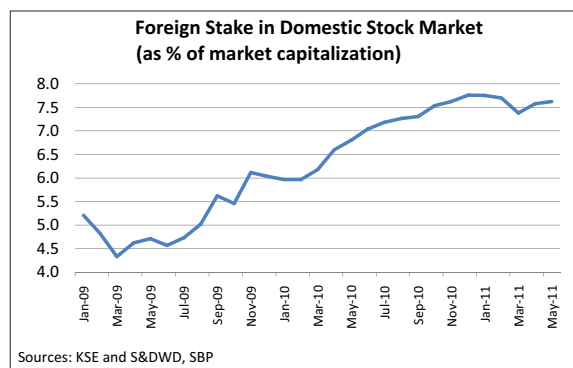
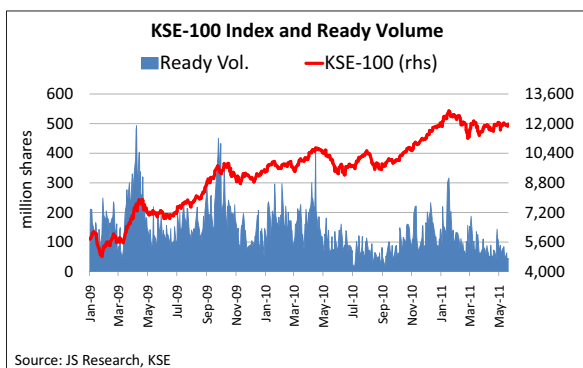
*KSE-100 index, market capitalization and average ready volume have deteriorated during May 2011.*

### Performance of Karachi Stock Exchange

	FY11		H1-FY11	FY10	Change (%)			
	May-11 <sup>1</sup>	Apr-11			May 11 <sup>1</sup> over Apr 11 <sup>1</sup>	May 11 <sup>1</sup> over H1-FY11	FY11 <sup>1</sup> over FY10	FY10 over FY09
KSE-100 Index	11,973.4	12,057.5	12,022.5	9,721.9	-0.7	-0.4	23.2	35.7
KSE-30 Index	11,591.0	11,716.4	11,588.2	9,556.6	-1.1	0.0	21.3	26.2
Market Capitalization (billion Rs.)	3,174.2	3,207.8	3,269.0	2,732.4	-1.0	-2.9	16.2	28.8
Ready Volume (million shares-Avg.)	60.8	74.9	121.3	161.3	-18.8	-49.8	-62.3	54.3
SCRA Cumulative flows <sup>2</sup> , Since July (US\$ million)	244.9	225.6	195.4	568.9	8.6	25.4	-56.9	205.9

<sup>1</sup> May 20th, 2011 values; <sup>2</sup> May 19th, 2011 values.

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 <sup>#</sup>	Mar 2010	Jun 2010	Sep 2010	Dec 2010
Risk weighted CAR <sup>*</sup>	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) <sup>**</sup>	11.4	13.2	17.8	17.7	16.2	16.7
ROE (after tax) <sup>**</sup>	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

<sup>#</sup>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.

