



Monetary Policy Information Compendium

September 2010

Consolidated by

Monetary Policy Department

STATE BANK OF PAKISTAN



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Real Sector

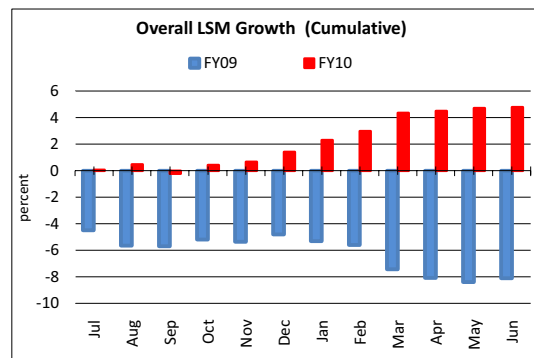
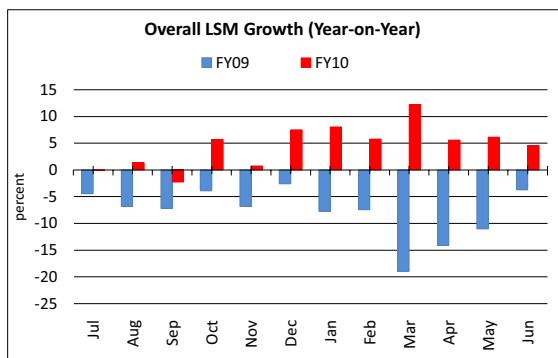
Recovery in large-scale manufacturing is led by higher output of consumer durable, pharmaceutical and fertilizer industries.

Growth in LSM sector

Groups	Weights	YoY changes		Cumulative changes during Jul-Jun	
		Jun-10	Jun-09	FY10	FY09
Overall	100.0	4.6	-3.7	4.8	-8.1
Textile	32.6	↓ -9.1	↑ 1.0	↓ -2.3	↓ 0.0
Food, beverages & tobacco	19.1	↑ 4.4	↑ 3.9	↓ -2.7	↓ -9.5
Petroleum products	7.0	↓ -10.9	↓ -12.6	↓ -7.7	↓ -9.2
Pharmaceuticals	6.7	↑ 0.6	↑ 9.2	↑ 6.4	↑ 2.6
Chemicals	6.4	↓ -2.8	↑ 7.8	↑ 0.03	↑ 1.3
Non-metallic mineral products	5.6	↓ -3.3	↑ 11.9	↑ 8.2	↑ 6.2
Automobile	5.3	↑ 48.6	↓ -30.1	↑ 36.3	↓ -39.6
Metal industries	4.7	↑ 2.3	↓ -28.3	↓ -25.9	↓ -9.6
Fertilizer	4.5	↑ 8.6	↑ 6.8	↑ 9.4	↑ 18.9
Electronics	3.3	↑ 27.3	↓ -21.7	↑ 28.9	↓ -34.2
Leather products	3.0	↑ 17.1	↑ 11.3	↑ 21.6	↑ 5.5
Paper and board	0.8	↑ 20.5	↑ 3.7	↓ -1.9	↑ 0.3
Engineering industries	0.6	↑ 42.4	↓ -24.4	↑ 17.3	↓ -4.9
Rubber products	0.4	↓ -2.1	↑ 51.2	↑ 24.1	↑ 5.7
Wood and wood products	0.04	↓ -7.6	↓ -12.5	↓ -42.1	↑ 33.9

Note: Weights of LSM sectors are standardized to 100

Sources: Federal Bureau of Statistics (FBS)



Production of major crops declined by 0.2 percent in FY10 mainly due to water shortages.

Performance of Major Crops

Crops	Production (million tons)				Area Under Cultivation (million hectares)				Yield (Kg/hectare)		
	FY10 ^T	FY10 ^P	% change in		FY10 ^P	% change in		FY10 ^P	% change in FY10 ^P		
			FY10 ^P over FY09	FY11 ^T		FY10 ^P over FY09	FY11 ^T		over FY09	FY11 ^T	
Cotton*	13.4	12.7	↑ 7.4	14.0	3.1	↑ 10.1	3.2	695	↓ -2.5	745	
Sugarcane	56.5	49.4	↓ -1.3	53.7	0.9	↓ -8.4	1.1	52,357	↑ 7.7	50,190	
Rice	5.9	6.9	↓ -1.0	6.2	2.9	↓ -2.7	2.7	2,387	↑ 1.7	2,279	
Wheat	25.0	23.9	↓ -0.70	25.0	9.0	↓ -0.04	-	2,639	↓ -0.7	-	
Gram	0.8	0.6	↓ -22.9	0.8	1.1	↓ -2.9	-	543	↓ -20.7	-	
Maize	3.4	3.5	↓ -3.0	3.6	1.0	↓ -9.7	-	3,670	↑ 7.5	-	

*Cotton production is stated in million bales.

P: Provisional ; T: Target

Source: Economic Survey 2009-10

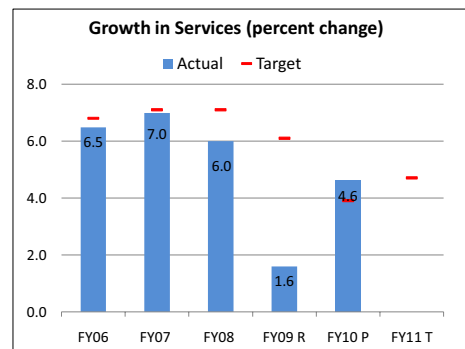
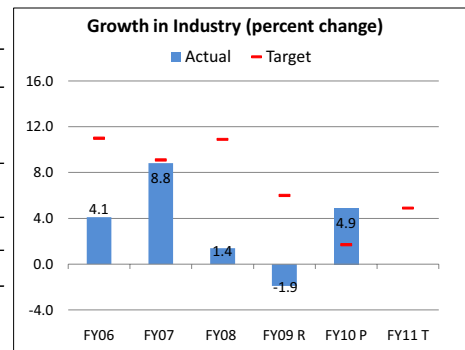
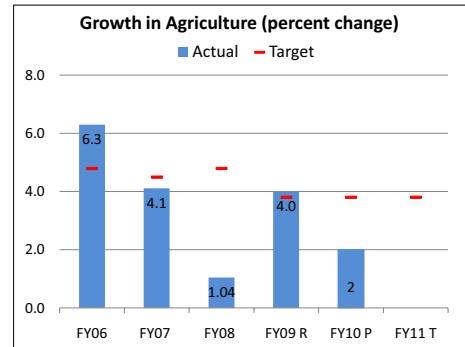
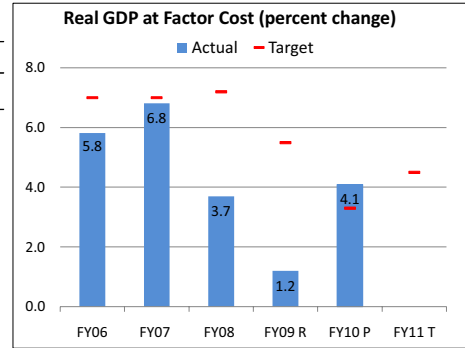
Note: Growth numbers may not tally due to separate rounding off of production data.



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	5,926	
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 declining trend in CPI inflation (YoY) observed during the last few months reversed in August 2010.

Consumer Price Index (CPI) (percent change)

	MoM*	YoY#	12M moving average
Aug-09	1.7	10.7	18.3
Sep-09	0.5	10.1	17.1
Oct-09	1.0	8.9	15.8
Nov-09	1.4	10.5	14.6
Dec-09	-0.5	10.5	13.6
Jan-10	2.4	13.7	13.1
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

5-year Avg for August
(excluding FY11)

1.3 12.0

The rise in CPI inflation during August was primarily contributed by sharp increase in food prices amid severe floods in the country, which destroyed food crops and stocks besides disrupting supply chain.

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

	MoM*	YoY#	12M moving average
Aug-09	2.5	10.6	19.8
Sep-09	0.4	10.0	18.1
Oct-09	1.1	7.5	16.1
Nov-09	1.8	11.1	14.6
Dec-09	-1.7	10.9	13.3
Jan-10	2.0	15.5	12.9
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

5-year Avg for August
(excluding FY11)

1.7 14.4

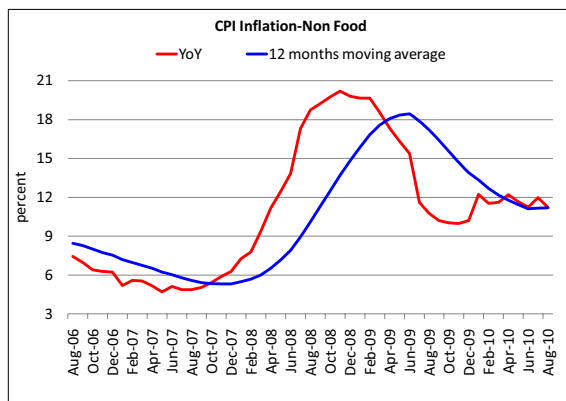
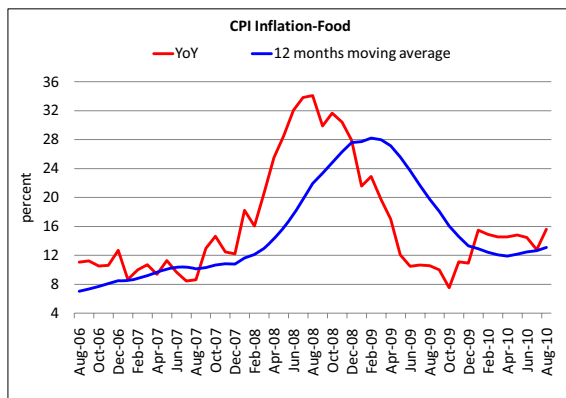
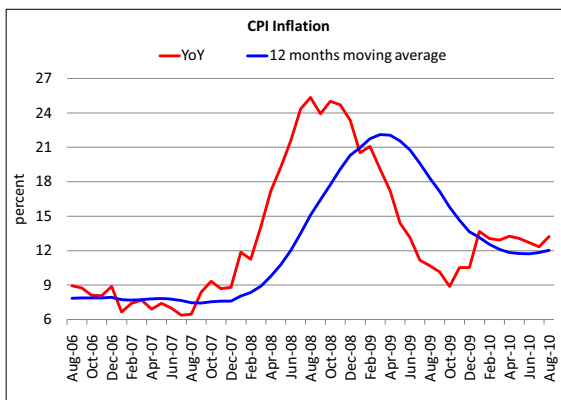
The non-food inflation (YoY), on the other hand, witnessed a decline in August 2010.

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

	MoM*	YoY#	12M moving average
Aug-09	1.0	10.8	17.2
Sep-09	0.5	10.2	16.4
Oct-09	0.8	10.0	15.6
Nov-09	1.0	10.0	14.7
Dec-09	0.6	10.2	13.9
Jan-10	2.8	12.2	13.3
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

5-year Avg for August
(excluding FY11)

0.9 10.1



* Month-on-Month

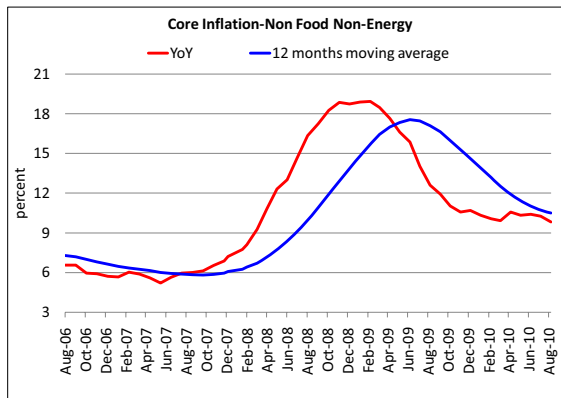
Year-on-Year

Source: Federal Bureau of Statistics



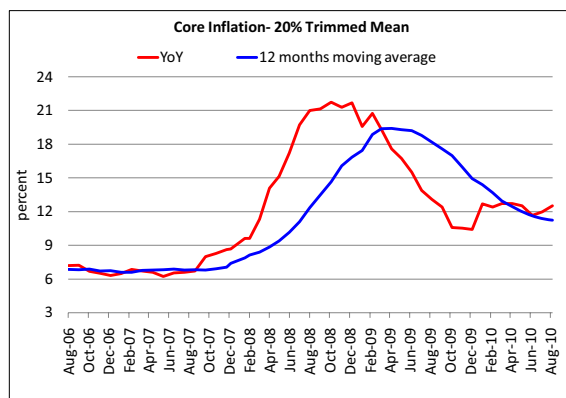
Non-food non-energy (NFNE) measure of core inflation declined to single digit in August 2010 after consistently remaining above 10 percent for the last five months.

	Core-Non food non-energy (51% weight in basket) (percent change)		
	MoM	YoY	12M moving average
Aug-09	0.8	12.6	17.1
Sep-09	0.8	11.9	16.6
Oct-09	0.8	11.0	16.0
Nov-09	0.8	10.6	15.3
Dec-09	0.7	10.7	14.6
Jan-10	0.7	10.3	13.9
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
5-year Avg for August (excluding FY11)	0.9	9.9	



The 20% trimmed mean measure of core inflation showed an uptick in August 2010.

Core- 20% Trimmed (percent change)			
Aug-09	1.1	13.1	18.2
Sep-09	0.6	12.4	17.6
Oct-09	0.8	10.6	17.0
Nov-09	0.7	10.5	16.0
Dec-09	0.6	10.4	14.9
Jan-10	1.3	12.7	14.4
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
5-year Avg for August (excluding FY11)	0.8	11.1	



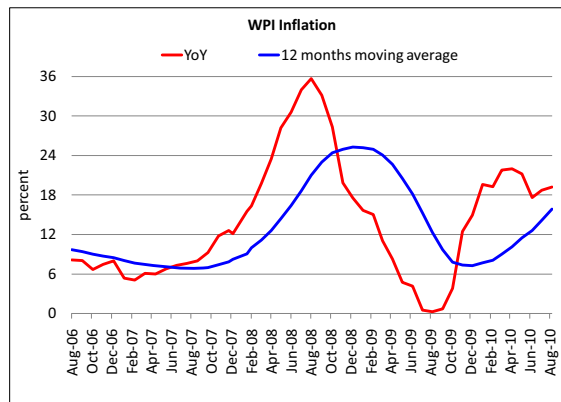
Source: Federal Bureau of Statistics



Similar to CPI inflation, WPI inflation (YoY) also accelerated in August 2010 due to increase in wholesale prices of food items.

Wholesale Price Index (WPI) (percent change)

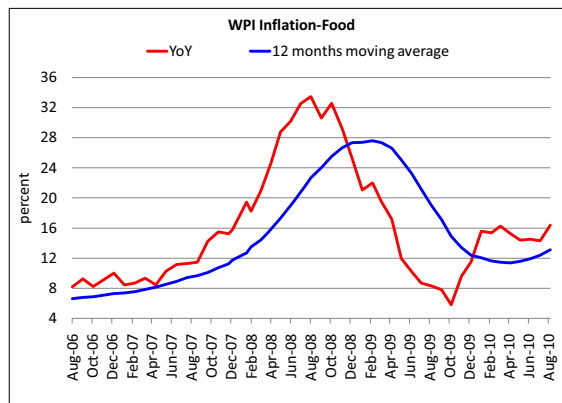
	MoM	YoY	12M moving average
Aug-09	2.2	0.3	12.3
Sep-09	0.2	0.7	9.7
Oct-09	1.2	3.8	7.8
Nov-09	2.8	12.5	7.4
Dec-09	0.2	15.0	7.3
Jan-10	4.2	19.6	7.7
Feb-10	0.4	19.3	8.1
Mar-10	2.5	21.8	9.0
Apr-10	1.8	22.0	10.1
May-10	0.9	21.2	11.5
Jun-10	-0.6	17.6	12.6
Jul-10	1.7	18.7	14.2
Aug-10	2.6	19.2	15.9
5-year Avg for August (excluding FY11)	1.5	12.8	



WPI food inflation (YoY) rose to the highest level since April 2009.

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

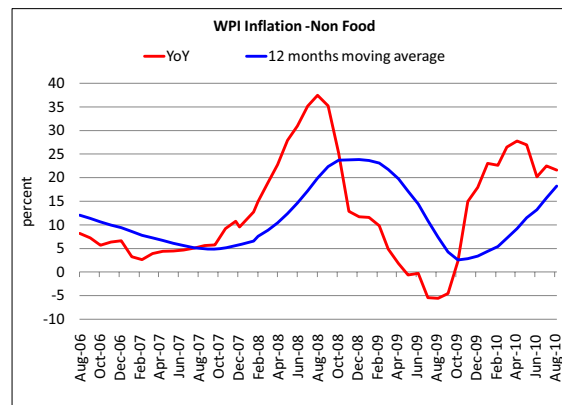
	MoM	YoY	12M moving average
Aug-09	2.3	8.3	19.0
Sep-09	0.4	7.8	17.1
Oct-09	0.9	5.8	14.9
Nov-09	1.9	9.6	13.4
Dec-09	-0.7	11.5	12.4
Jan-10	2.7	15.6	12.0
Feb-10	0.5	15.4	11.6
Mar-10	1.7	16.3	11.4
Apr-10	0.7	15.2	11.4
May-10	0.1	14.4	11.6
Jun-10	1.2	14.5	11.9
Jul-10	1.9	14.3	12.4
Aug-10	4.2	16.4	13.1
5-year Avg for August (excluding FY11)	1.6	14.0	



WPI non-food inflation (YoY), though declined slightly in August 2010, has remained above 20 percent since January 2010.

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

	MoM	YoY	12M moving average
Aug-09	2.1	-5.6	7.3
Sep-09	0.0	-4.6	4.2
Oct-09	1.4	2.2	2.5
Nov-09	3.5	14.9	2.8
Dec-09	0.9	17.9	3.4
Jan-10	5.5	23.0	4.3
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
5-year Avg for August (excluding FY11)	1.5	11.9	



Sources: Federal Bureau of Statistics



CPI Inflation (YoY) by Groups

The rise in headline CPI inflation (YoY) in August 2010 was primarily contributed by food group as non-food group recorded a lower inflation in the month.

Groups	Weights	Aug-10			Jul-10		
		MoM	YoY	12m MA*	MoM	YoY	12m MA*
I. Food Group	40.3	5.1	15.6	13.1	1.5	12.8	12.6
II. Non-Food Group	59.7	0.3	11.2	11.2	1.0	12.0	11.1
Apparel, Textile etc.	6.1	0.5	10.2	7.0	1.2	10.3	6.6
House Rent	23.4	0.5	8.2	12.3	0.4	8.8	13.0
Fuel and Lighting	7.3	0.1	21.3	15.4	3.9	21.8	14.8
Furniture etc.	3.3	0.9	8.5	6.4	1.1	7.9	6.3
Transport etc.	7.3	0.1	14.3	9.7	0.4	17.0	7.9
Recreation etc.	0.8	0.1	14.5	7.8	0.0	14.4	6.8
Education	3.5	0.0	7.0	11.1	0.1	8.4	11.6
Cleaning, Laundry etc.	5.9	0.0	10.2	10.3	0.9	10.9	10.5
Medicare	2.1	0.3	11.3	7.5	0.4	11.0	7.0
Overall	100	2.5	13.2	12.0	1.2	12.3	11.8

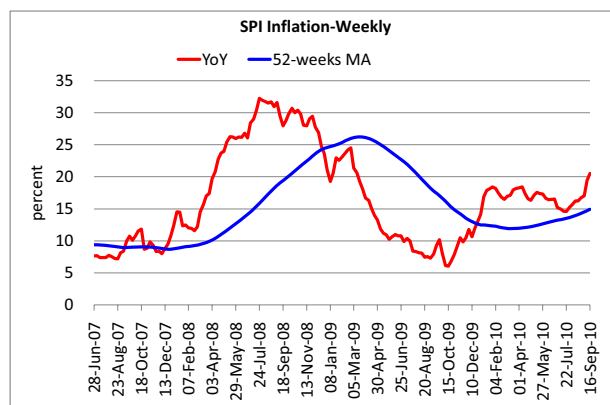
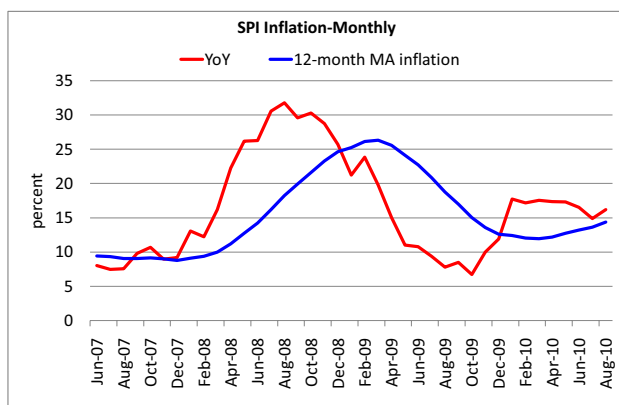
Rise in weekly SPI inflation during the last two weeks indicates a further increase in CPI inflation for September 2010.

Sensitive Price Indicator (SPI) (percent change)

Income Groups	Percent change (WoW)				Aug-10		
	Current	Last week	Two weeks ago	Three weeks ago	MoM	YoY	12m MA*
	16-Sep-10	9-Sep-10	2-Sep-10	26-Aug-10			
Up to Rs 3000	1.9	2.5	0.6	0.5	2.9	15.2	14.2
Rs 3001-5000	1.8	2.6	0.6	0.5	2.8	15.4	14.3
Rs 5001-12000	1.6	2.4	0.6	0.5	2.7	15.7	14.3
Above Rs 12000	1.1	1.9	0.5	0.4	2.3	17.0	14.3
All	1.5	2.3	0.6	0.4	2.6	16.2	14.3

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

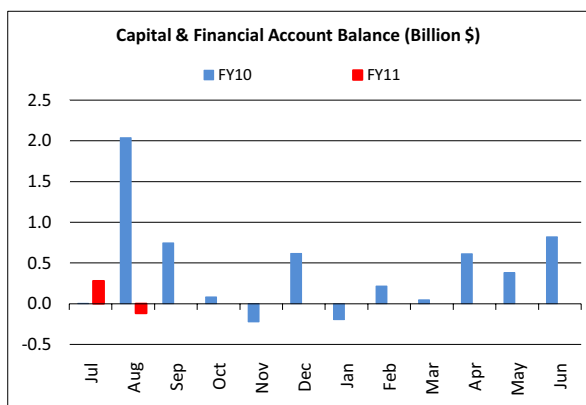
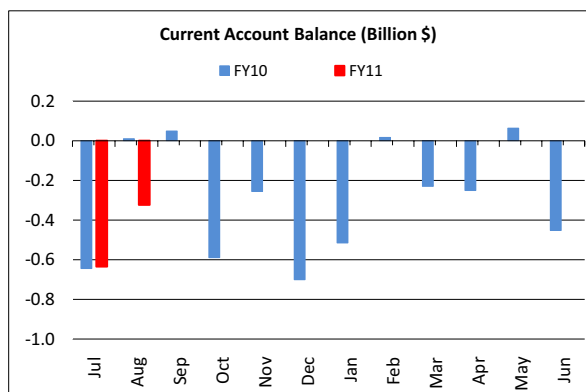
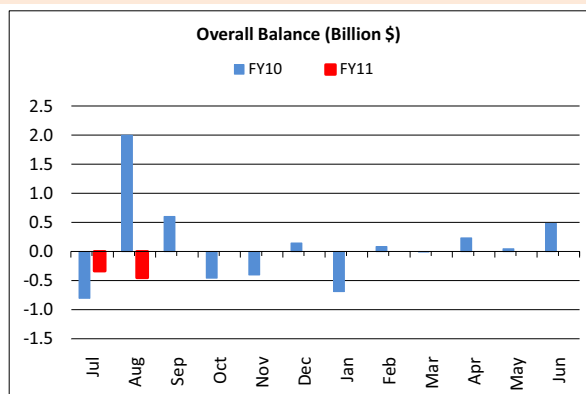
Despite improvement in current account during August 2010, the deficit in overall balance increased due to net outflows in capital and financial accounts.

Balance of Payments Summary (million \$)

Items	Aug-10	Jul-Aug		FY10
		FY11	FY10	
A) Current account	-324	-944	-635	-3,495
1. Trade balance	-1,015	-2,272	-1,961	-11,423
Exports	1,811	3,471	3,021	19,632
Imports	2,826	5,743	4,982	31,055
2. Services (net)	-296	-567	-481	-1,677
Receipts	305	589	562	5,148
Payments	601	1,156	1,043	6,825
3. Income (net)	-182	-403	-478	-3,269
Receipts	60	115	74	562
Payments	242	518	552	3,831
4. Current transfers (net)	1,169	2,298	2,285	12,874
Receipts: of which	1,174	2,306	2,294	12,984
Remittances	933	1,724	1,525	8,906
Payments	5	8	9	110
B) Capital and financial account: of which	-120	144	2,039	5,185
1. Foreign investment	118	268	392	2,145
FDI (net)	70	172	337	2,209
FPI	48	96	55	-64
2. Foreign long term loans	-114	-70	762	2,018
Disbursements	131	219	977	3,822
Amortization	245	289	215	1,804
C) Errors & omissions	-8	14	-212	-424
Overall balance (A+B+C)	-452	-786	1,192	1,266
SBP gross reserves¹	13,249	13,249	11,913	13,953

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

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



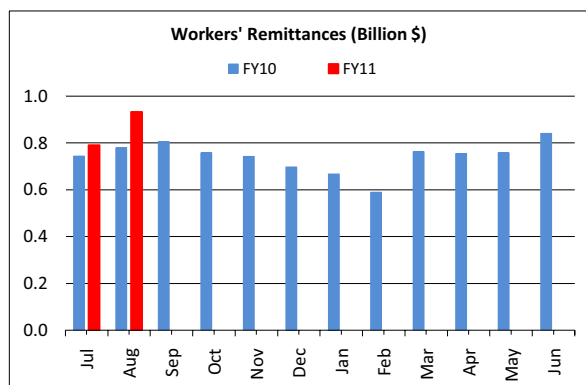
Pakistan received record remittances in August 2010.

Workers' Remittances² (million \$)

	Aug-10	Jul-Aug		FY10
		FY11	FY10	
Total: of which	933	1,724	1,525	8,906
USA	187	331	317	1,771
UK	108	194	148	876
Saudi Arabia	206	401	296	1,918
UAE	213	390	324	2,039
GCC ³	109	210	211	1,238
Others	111	200	227	1,064

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

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



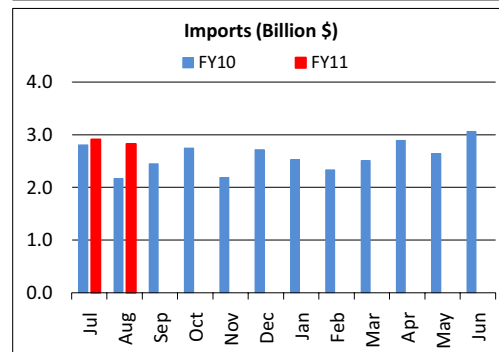
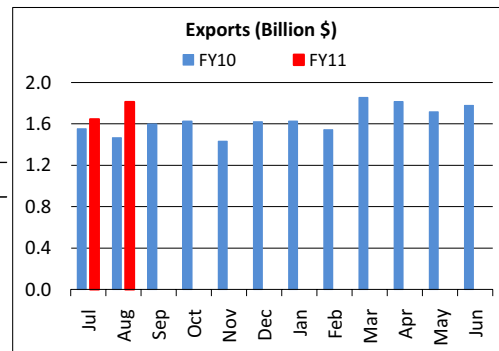
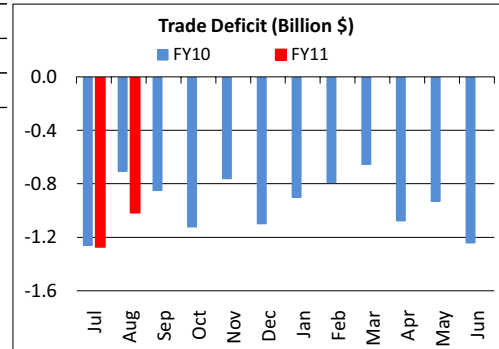


Trade

Trade deficit narrowed in August 2010 both due to a decline in imports and increase in exports.

Trade in Goods -Major Groups (million \$)

	Aug-10	Jul-Aug		Shares ¹
		FY11	FY10	
Exports	1,811	3,471	3,021	100
Textile group	962	1,846	1,605	53
Cotton cloth	169	329	299	9
Knitwear, bedwear	385	741	625	21
Readymade garments	92	171	179	5
Other manufactures group	349	659	538	19
Leather items ²	71	141	111	4
Chemical and pharma	74	149	104	4
Cement	40	83	97	2
Engineering goods	64	97	61	3
Food group	272	547	426	16
Rice	176	361	253	10
All Others	227	418	452	12
Imports	2,826	5,743	4,982	100
Petroleum group	1,067	2,037	1,580	35
Petroleum products	783	1,459	983	25
Petroleum crude	283	578	597	10
Machinery group	295	720	640	13
Power machinery	46	167	146	3
Electrical machinery	38	77	77	1
Agri. & other chemicals group	482	950	915	17
Fertilizer manufactured	95	176	192	3
Plastic materials	115	215	167	4
Food group	367	712	459	12
Palm oil	158	305	197	5
Sugar	95	149	26	3
Metal group	215	392	319	7
Iron steel (IS) & IS scrap	172	312	255	5
All Others	401	932	1,067	16

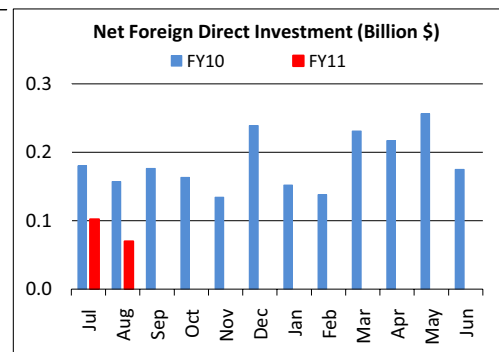


¹ Share=group(item)/total, based on FY10 value; ² Include tanned and manufactured leather

FDI inflows declined further during August 2010.

Inflow of Foreign Direct Investment in Pakistan (million \$)

	Aug-10	Jul-Aug		FY10
		FY11	FY10	
Total: Of which	70	171	344	2,201
Major countries				
USA	11	22	60	489
UAE	27	48	17	243
UK	9	19	38	295
Netherlands	-2	-3	25	279
Major sectors				
Communication	-8.3	-8.8	11	291
Financial service	4	1	-12	163
Oil & gas exploration	22	62	75	741
Power	3	19	53	-102
Trade	4	9	13	117



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

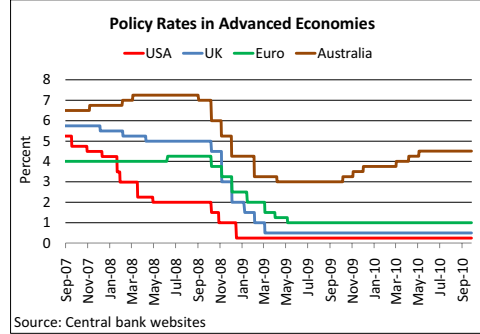


Global Economy

In view of resurgence in inflationary pressures, the central banks from both developed and developing economies recently raised their policy rates.

Policy Rates in Major Economies

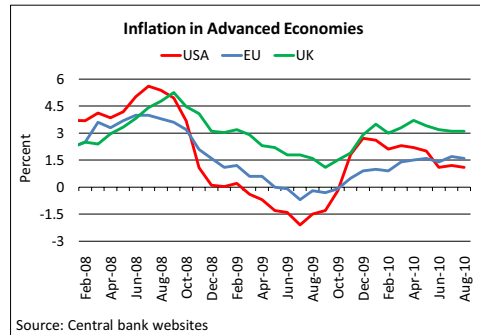
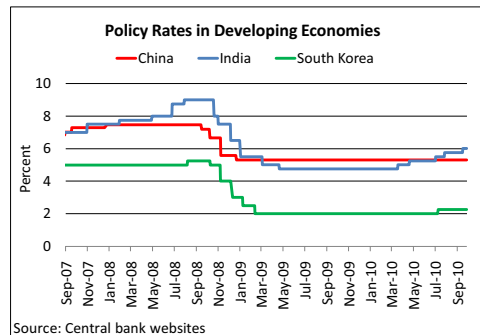
Major Economies	Current Policy Rate	Previous	Changed On	Change (bps)
USA*	0.25	1.00	Dec 16 2008	↓ -75
UK	0.50	1.00	Mar 05 2009	↓ -50
ECB	1.00	1.25	May 07 2009	↓ -25
Japan	0.10	0.30	Dec 20 2008	↓ -20
Canada	1.00	0.75	Sep 08 2010	↑ 25
Australia	4.50	4.25	May 05 2010	↑ 25
China	5.31	5.58	Dec 22 2008	↓ -27
India	6.00	5.75	Sep 16 2010	↑ 25
South Korea	2.25	2.00	Jul 09 2010	↑ 25
Malaysia	2.75	2.50	Jul 08 2010	↑ 25
Indonesia	6.50	6.75	Aug 05 2009	↓ -25
Thailand	1.50	1.25	Jul 14 2010	↑ 25



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

Key Macroeconomic Indicators

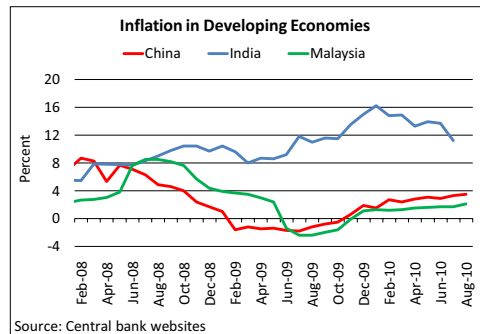
	Inflation (YoY) ¹	GDP growth ²	Current account balance	Fiscal balance
	Aug-10		as a percentage of GDP	
USA	1.1	3.2 (Q2-10)	-2.9 (Q2-10)	-9.1 (Q2-10)
UK	3.1	1.6 (Q2-10)	-1.5 (Q2-10)	-9.2 (Q2-10)
Euro Area	1.6	1.7 (Q2-10)	-0.5 (Q2-10)	-8.0 (Q1-10)
Japan	-0.9 (Jul-10)	2.0 (Q2-10)	3.3 (Q2-10)	-7.4 (Q2-10)
Australia	3.1 (Q2-10)	3.3 (Q2-10)	-1.7 (Q2-10)	-
China	3.5	10.3 (Q2-10)	5.9 (H2-09)	4.3 (Q2-10)
India	11.2 (Jul-10)	8.8 (Q2-10)	-3.0 (Q1-10)	-5.3 (Q2-10)
Sri Lanka	5.0	8.5 (Q2-10)	-	-
South Korea	2.6	7.2 (Q2-10)	4.7 (Q2-10)	2.8 (Q2-10)
Malaysia	2.1	8.9 (Q2-10)	13.6 (Q2-10)	-4.8 (Q4-09)
Indonesia	6.4	6.2 (Q2-10)	1.5 (Q2-10)	-
Thailand	3.3	9.1 (Q2-10)	5.0 (Q2-10)	-2.2 (Q2-10)



Notwithstanding euro debt crisis, the global economy is projected to rebound in 2010.

World Economic Outlook - Real GDP Growth

	2009 (IMF Estimated)	2010 Projections		
		IMF (Jul-10)	World Bank (Jun-10)	OECD (May-10)
World output	-0.6	4.6	3.3	-
Advance	-3.2	2.6	2.3	-
US	-2.4	3.3	3.3	3.2
Euro area	-4.1	1.0	0.7	1.2
Japan	-5.2	2.4	2.5	3.0
UK	-4.9	1.2	-	1.3
Emerging & Developing	2.5	6.8	6.2	-
Russia	-7.9	4.3	4.5	5.5
China	9.1	10.5	9.5	11.1
India	5.7	9.4	8.2	8.3
ASEAN-5	1.7	6.4	-	-



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



Global CPI increased in August 2010 mainly on account of surge in food and metal prices.

World Commodity Price Indices (2005=100)

	Aug-10	% change since		
		Last month	End Jun-10	
Global CPI	145.9	↑ 3.31	↑ 4.87	
Food CPI	154.5	↑ 4.87	↑ 10.38	
Commodity non-fuel CPI	153.5	↑ 7.39	↑ 11.34	
Metal CPI	172.9	↑ 11.28	↑ 14.34	
Crude oil (\$/bbl)	75.9	↑ 1.67	↑ 1.61	
Palm oil (\$/m. ton)	865.2	↑ 11.71	↑ 13.12	
Soya bean Oil (\$/m. ton)	895.6	↑ 7.03	↑ 9.09	
Wheat (\$/m. ton)	246.4	↑ 25.80	↑ 56.24	
Gold spot (\$/Oz)	1,217.9	↑ 5.63	↑ 0.42	
Sugar (US cents/pound)	31.0	↑ 2.14	↑ 7.75	

Source: IMF-IFS

International capital markets have shown some recovery during the past few weeks.

Capital Market Indices

	Latest - Sep 24, 2010	% change since		
		Last month	End Jun-10	
US (DJIA)	10,860.3	↑ 8.4	↑ 11.1	
DJ EURO STOXX	2,792.8	↑ 6.5	↑ 8.5	
UK (FTSE 100)	5,598.5	↑ 7.1	↑ 13.9	
Japan (Nikkei 225)	9,471.7	↑ 7.3	↑ 0.9	
China (SSEA)	2,619.8	↑ -0.7	↑ 2.2	
France (CAC 40)	3,782.5	↑ 8.4	↑ 9.9	
Germany (DAX)	6,298.3	↑ 6.3	↑ 5.6	
India (BSE)	20,045.2	↑ 11.5	↑ 15.9	
World dev'd (MSCI) ³	1,170.5	↑ 4.5	↑ 20.3	
Emerging markets (MSCI) ³	1,048.0	↑ 5.4	↑ 35.6	
World all (MSCI) ³	302.2	↑ 4.7	↑ 22.2	

End Notes

¹ Inflation is YoY percent changes in CPI.

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

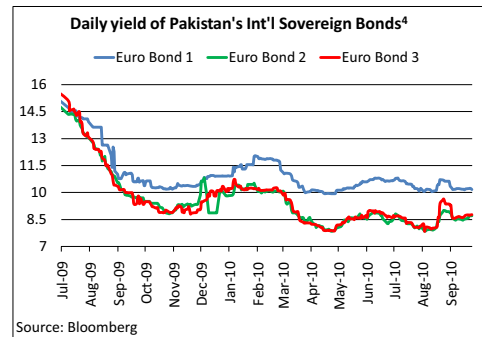
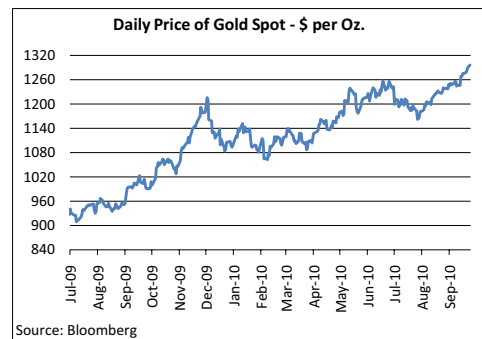
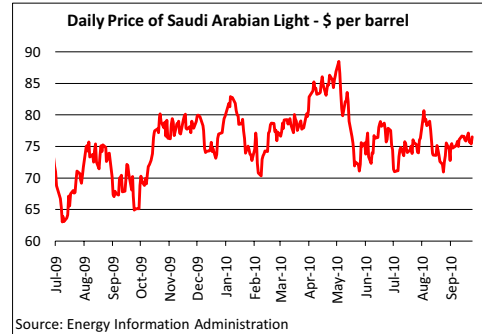
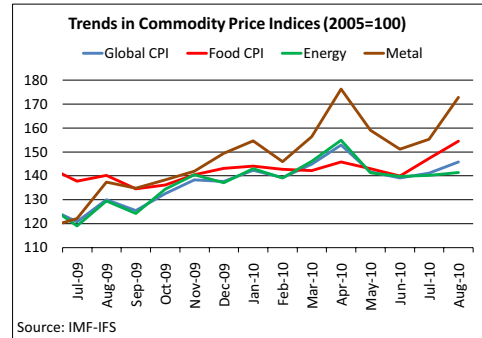
³ September 22, 2010

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-5/30/2017

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

Significant increase in expenditures and a shortfall in revenue collection have resulted in breaching of (revised) fiscal deficit target for FY10.

Revenues (billion Rs)

	BE ¹ Actual		BE ⁸ FY11
	FY10	Jul-Jun FY10	
Total revenues	2,155	2,078	2,574
Tax revenue	1,593	1,473	1,779 [^]
Growth (YoY) %	32.2	22.3	
of which: FBR revenues*	1,380	1,327	1,667
Non-tax revenues	562	605	632 [^]
Growth (YoY) %	-13.1	-6.3	

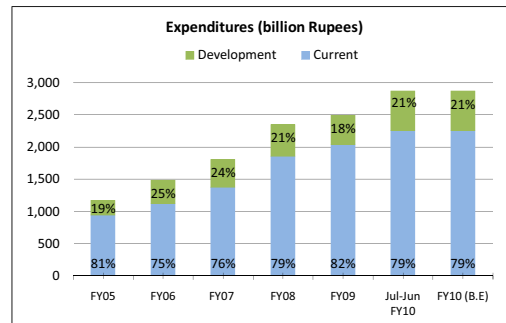
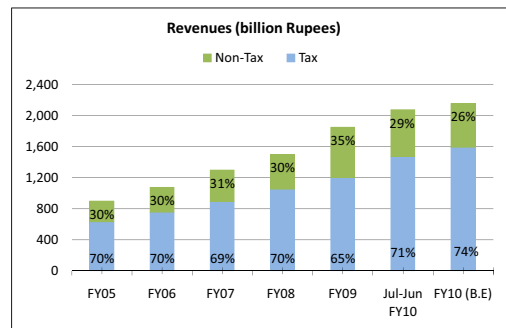
* The total FBR tax revenues during July-June FY10 are Rs1327 billion.

Expenditures (billion Rs)

	BE ¹ Actual		BE ⁸ FY11
	FY10	Jul-Jun FY10	
Total expenditures³	2,877	3,007	3,259
Current	2,261	2,386	1,998 [^]
Growth (YoY) %	10.7	16.9	
Interest payments	647	642	
Defence	343	375	
Development & net lending	616	653	
Growth (YoY) %	26.5	43.2	

Overall Balance (billion Rs)

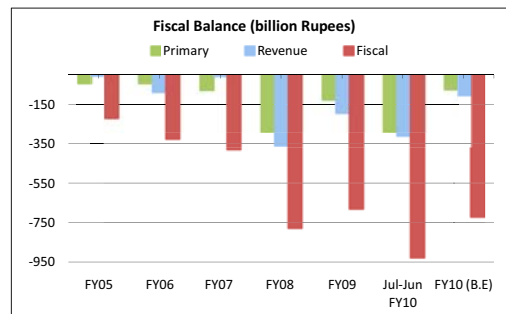
	BE ¹ Actual		BE ⁸ FY11
	FY10	Jul-Jun FY10	
Fiscal Balance⁶	-722	-929	-685
Revenue Balance ⁵	-106	-308	
Primary Balance ⁴	-75	-287	



The rising fiscal deficit and less than projected external inflows have raised pressure on domestic sources of financing.

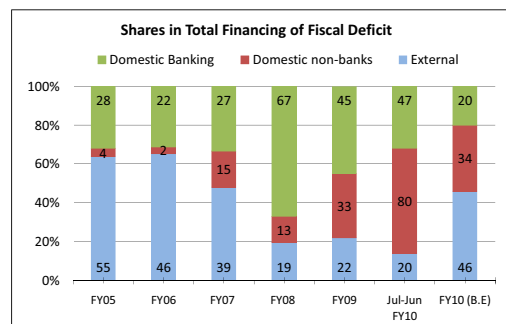
Financing of Fiscal Deficit (billion Rs)

	BE ¹ Actual		BE ⁸ FY11
	FY10	Jul-Jun FY10	
Financing	721	929	685
1. External	377	189	186
2. Domestic: of which	344	740	499
Non-bank	246	436	333
Banking system: of which	97	305	167
Commercial Banks	97	263	167
SBP	0	42	0
Privatization proceeds	-	-	-



FBR Tax Collection (billion Rs)

	BE ¹ Actual				Total taxes
	Direct	Sales	Customs	FED ²	
Aug-09	26	39	11	10	86
Sep-09	41	40	12	9	103
Oct-09	44	42	13	10	108
Nov-09	27	40	11	10	88
Dec-09	56	44	14	9	123
Jan-10	46	45	13	9	112
Feb-10	35	41	11	9	97
Mar-10	48	43	16	11	119
Apr-10	48	45	14	10	116
May-10	37	48	14	12	110
Jun-10	104	51	22	14	191
Jul-10	18	41	11	7	77
Aug-10	26	49	12	9	96
Jul-Aug FY11⁷	44	90	23	16	173
Jul-Aug FY10	44	77	21	19	161



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

¹ Budget estimates, Revised; ² Federal excise duty; ³ Exclusive of statistical discrepancy; ⁴ Primary balance = total revenue - total expenditure + interest payment; ⁵ Revenue balance = total revenue - current expenditure; ⁶ Fiscal balance = total revenue - total expenditure; ⁷ FY10 data is provisional; ⁸ Provisional, based on Federal Budget Speech; the numbers may be revised after finalization of Provincial Budgets. Numbers indicated by ^ are "Federal estimates only"

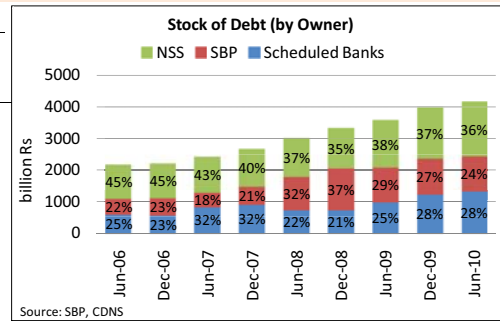


Domestic Debt

From the beginning of new fiscal year, domestic borrowings remain skewed towards short term sources.

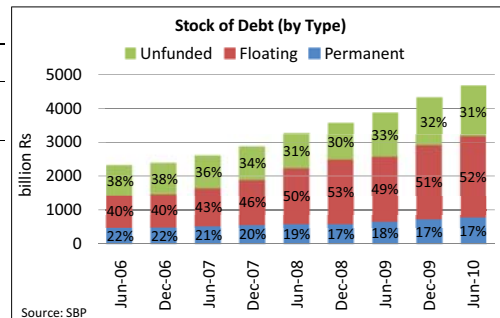
Debt by Owner - end period stocks (billion Rs)

	Jul-10	FY10	Absolute change Since Jun 2010
Bank	2,502	2,440	62
Commercial banks	1,343	1,312	32
SBP	1,158	1,128	30
Non-bank	2,201	2,211	-10
National Saving Schemes (NSS)	1,704	1,693	11
Others	496	518	-22
Foreign Currency Instruments ¹	3	3	0
Total	4,705.4	4,653.7	51.7



Debt by Type - end period stocks (billion Rs)

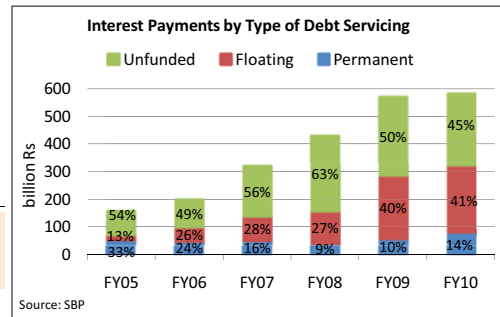
	Jul-10	FY10	Absolute change Since Jun 2010
Long term	2,256	2,251	5
Permanent: of which	790	794	-5
PIBs	505	505	0
Prize bonds	238	236	2
Unfunded: of which	1,466	1,457	9
NSS ²	1,356	1,347	9
Short term (floating): of which	2,446	2,399	47
MTBs	1,291	1,227	63
MRTBs-replenishment	1,155	1,172	-16
Foreign Currency Instruments	3	3	0.0
Total	4,705.4	4,653.7	51.7



Short term borrowings at higher interest rates drove the debt servicing expenditures in July 2010.

Debt Servicing (billion Rs)

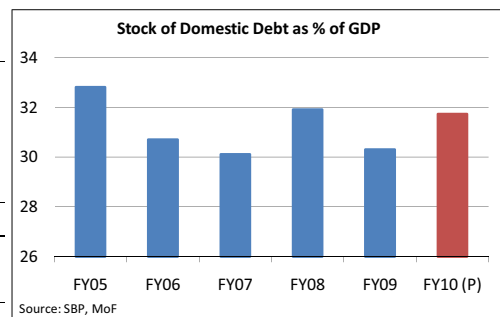
	Jul-10	Jul			FY10
		FY11	FY10	% change	
Permanent	4.3	4.3	8.6	-50.0	80.6
Unfunded	15.7	15.7	35.0	-55.2	259.7
Floating	25.3	25.3	15.4	64.3	241.1
Total	45.3	45.3	59.0	-23.3	581.4



Indicators of Domestic Debt Sustainability

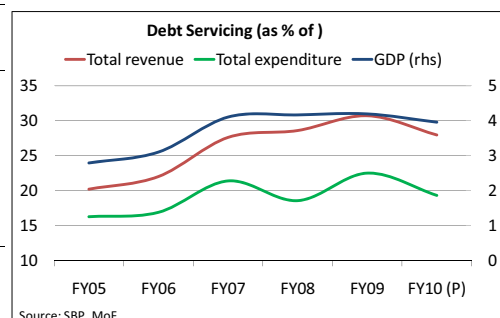
Debt Stock as % of GDP

	FY06	FY07	FY08	FY09	FY10 ³
	30.7	30.1	31.9	30.3	31.7



Debt Servicing as % of

	FY06	FY07	FY08	FY09	FY10
GDP	3.1	4.1	4.2	4.2	4.0
Total revenue	22.0	27.6	31.6	30.2	28.0
Tax revenue	31.5	40.3	40.9	42.5	39.5
Total expenditure	16.9	21.4	20.8	22.1	19.3
Current expenditure	21.2	26.1	23.1	29.7	24.4



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

² NSS include certificates, saving accounts, prize bonds and excludes GP fund.

³ Provisional; GDP Based on the Economic Survey 2009-10

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



External Debt

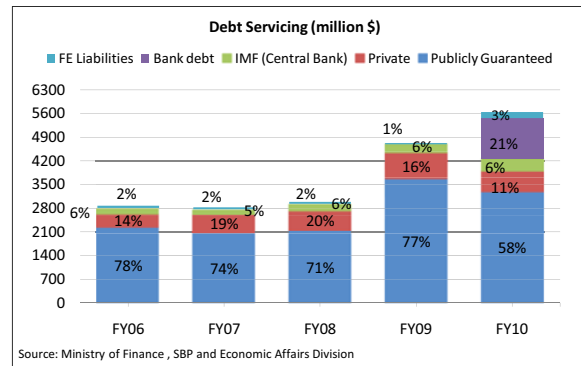
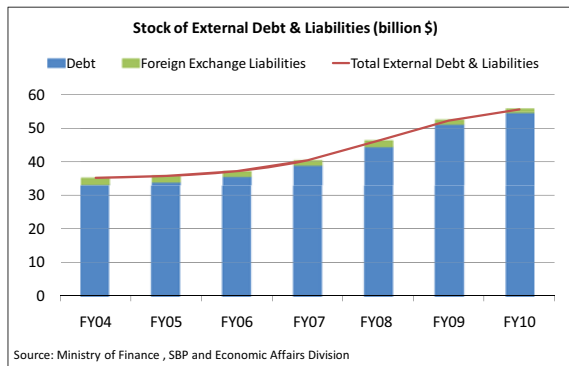
Stock of external debt has increased in FY10 mainly due to loans from IFIs.

Debt & Liabilities - end period stocks (million \$)				Debt Servicing (million \$)		
Items	FY10	FY09	Absolute Δ Since Jun 2009	Items	FY10	FY09
I.Public & publicly guaranteed	44,124	42,567	1,557	I.Public & publicly guaranteed	3,290	3,663
i) Public debt	43,965	42,415	1,550	i) Public debt	3,134	3,559
a.Medium and long term	42,117	41,763	354	Principal	2,403	2,667
Paris club ¹	13,959	13,998	-39	Interest	731	892
Multilateral ²	23,694	23,001	693	a.Medium and long term	2,765	2,645
Other bilateral ³	1,783	1,449	334	Principal	2,053	1,826
Euro/Saindak/Sukuk bonds	1,550	2,150	-600	Interest	712	819
Military debt	167	199	-32	b.Short-term (≤ 1 yr)	369	914
Commercial loans/credits	0	166	0	c.IMF (Federal Government)	0	0
Local currency bonds (TBs & PIBs) ⁴	64	0	4	Repurchase/Principal	0	0
Saudi fund for development (SFD)	200	0	200	Charges/Interest	0	0
SAFE China deposits	500	500	0	ii) Publicly guaranteed debt	156	104
NBP/BOC deposits	200	300	-100	Principal	123	77
b.Short-Term (≤ 1 yr)	793	652	141	Interest	33	27
IDB	793	652	141	II.Bank's borrowing	1,204	0
c.IMF (Federal Government)	1,055	0	1,083	III.Pvt. guaranteed debt	51	0
ii) Publicly guaranteed debt	159	152	7	IV.Pvt. Non-guaranteed debt	534	604
II.Banks' borrowing ⁵	193	0	226	V.Pvt. Non-guaranteed bonds	23	154
III.Pvt. guaranteed debt	0	0	0	VI.IMF (Central Bank)	359	264
IV.Pvt. non-guaranteed (M<) ⁶	3,043	3,207	-164	Repurchase/Principal	240	210
V.Pvt. non-guaranteed Bonds ⁷	124	137	-13	Charges/Interest	120	54
VI.IMF (Central Bank)	7,022	5,148	1,874	VII.Foreign exchange liabilities	178	44
Total external debt (I to VI)	54,506	51,059	3,447	Total Servicing (I to VII):	5,639	4,728
VII.Foreign exchange liabilities ⁸	1,122	1,274	-152	Principal	4,632	3,575
Total debt & liabilities (I to VII)	55,628	52,333	3,295	Interest	1,007	1,153

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

Indicators of External Debt Sustainability

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



¹ Major contributors are Canada, France, Germany, Japan, Korea, USA; ² Major contributors are ADB, IBRD, IDB; ³ Major contributors are China, Kuwait, Saudi Arabia, UAE; ⁴ Local currency bonds of public sector and private non-guaranteed bonds have been captured from last quarter of FY07; ⁵ Commercial bank borrowing; ⁶ Medium and long term; ⁷ Comprises bonds issued by Mobilink & Pace International; ⁸ Include special USD bonds, national debt retirement program, central banks' deposit, NBP/BOC deposits, swap arrangements and exclude FEBCs/FCBCs & DBCs;

Sources: Economic Affairs Division and SBP



Total Debt

Non-realization of foreign inflows resulted in increased government borrowing from the domestic market.

Total Debt Stock

(billion Rs)

	FY10	FY09	Change	Share ³
Total debt & liabilities (I+II)	9,407.9	8,120.1	1,287.8	100.0
I.Total debt (a+b)	9,312.0	8,016.4	1,295.6	99.0
<i>a.Domestic debt</i>	4,653.7	3,860.7	793.0	49.5
<i>b.External debt</i> ¹	4,658.2	4,155.7	502.6	49.5
II.Explicit liabilities ²	95.9	103.7	-7.8	1.0

Total Debt Servicing

(billion Rs)

	FY10	FY09	Change (%)
Total debt servicing (I+II)	1054.4	940.7	12.1
I. Total interest payment (a+b+c)	665.8	660.5	0.8
<i>a.Domestic</i>	581.4	570.2	2.0
<i>b.External</i> ⁴	82.2	88.6	-7.2
<i>c.Explicit liabilities</i>	2.2	1.7	29.0
II.Repayment of principal (external debt & liabilities)	388.5	280.1	38.7

Debt stock

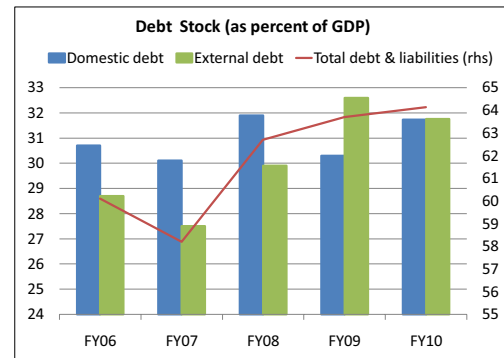
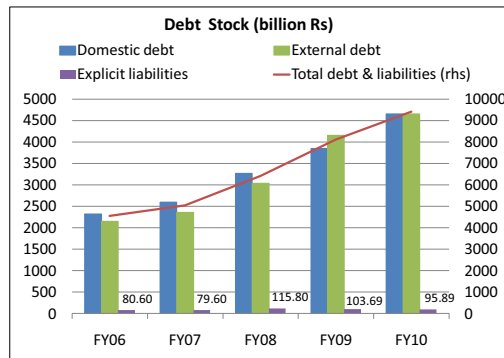
(as percent of GDP⁵)

	FY06	FY07	FY08	FY09	FY10
Total debt & liabilities (I+II)	60.1	58.2	62.7	63.7	64.1
I.Total debt (a+b)	59.4	57.6	61.8	62.9	63.5
<i>a.Domestic debt</i>	30.7	30.1	31.9	30.3	31.7
<i>b.External debt</i>	28.7	27.5	29.9	32.6	31.8
II.Explicit liabilities	0.7	0.6	0.9	0.8	0.7

Debt servicing

(as a percent of)

	FY06	FY07	FY08	FY09	FY10
Tax revenue	56.4	60.5	64.7	68.4	71.6
Total revenue	39.4	41.5	45.3	49.1	50.7
Total expenditure	30.3	32.1	29.9	38.6	35.1
Current expenditure	37.9	39.2	36.6	45.4	44.2
GDP ⁵	5.6	6.2	6.6	7.4	7.2



¹ Rupee value of external debt computed by applying the corresponding end period average exchange rate to the end-period stock; ² Explicit liabilities include all foreign liabilities owned by the country; ³ Based on Mar-FY10 data; ⁴ Converted from USD to rupee term, using period average exchange rate; ⁵ On the basis of provisional GDP for FY10.

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

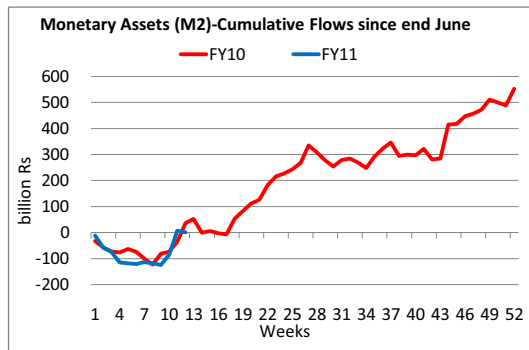


Monetary and Credit Aggregates*

Contraction in broad money (M2) was contributed both by a decline in NDA and lower accumulation in NFA of the banking system.

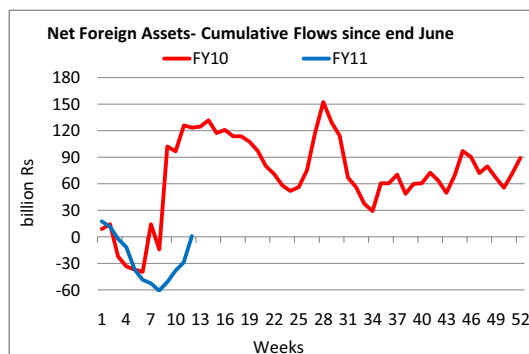
Monetary Assets of Banking System

	End June 2010 Stocks	Cumulative Flows since end June		FY10
		June		
		Latest week	A year ago	
		17-Sep-10	19-Sep-09	
NFA	545.5	0.9	15.0	49.6
NDA	5231.8	-1.2	21.2	590.4
Government borrowings: of wh.	2440.9	155.8	191.0	406.6
Budgetary borrowing	2011.5	182.6	194.2	330.4
Commodity operations	413.2	-26.0	-2.0	77.0
Non-govt. sect. borrowings: of wh.	3388.8	-62.9	-39.7	198.8
Private sector	3019.8	-67.2	-86.6	112.9
PSEs	351.4	4.0	46.8	85.0
Other items (net)	-598.0	-94.1	-130.1	-15.0
M2	5777.2	-0.3	36.2	640.0



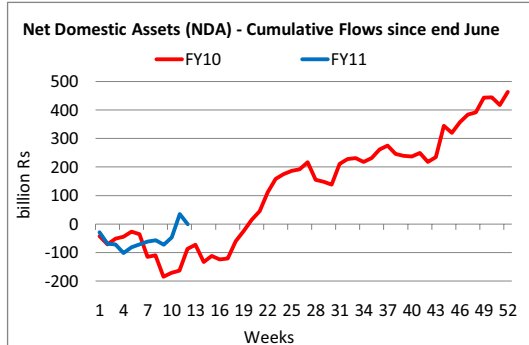
Monetary Liabilities of Banking System

	End June 2010 Stocks	Latest week 17-Sep-10	A year ago 19-Sep-09	FY10
Currency in circulation	1295.4	146.8	133.2	143.2
Total deposits with banks	4475.2	-147.9	-97.2	494.8
Demand deposits with banks	3594.1	-162.1	-126.8	387.6
Time deposits with banks	535.7	11.2	18.4	42.1
RFCDs with banks	345.4	3.1	11.2	65.1
M2	5777.2	-0.3	36.2	640.0



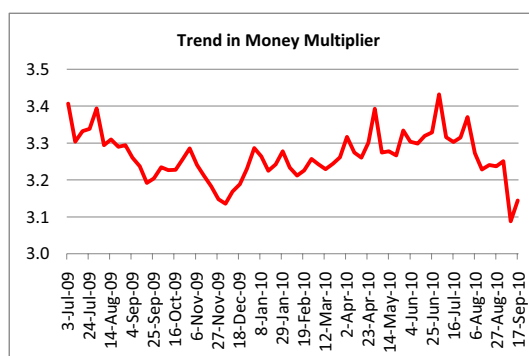
Percent Growth in Monetary Assets of Banking System

	YoY (27-Aug-10)	Since end June		FY10
		17-Sep-10	19-Sep-09	
NFA	6.9	0.2	3.0	10.0
NDA	12.2	0.0	0.5	12.7
Government borrowings	16.7	6.4	9.4	20.0
Budgetary borrowing	17.0	9.1	11.6	19.7
Commodity operations	15.9	-6.3	-0.6	22.9
Non-government sector borrowings	5.6	-1.9	-1.2	6.2
Private sector	4.7	-2.2	-2.8	3.9
PSEs	13.5	1.1	0.6	31.9
Other items (Net)	-17.9	15.7	39.5	2.5
M2	11.7	0.0	0.7	12.5



Memorandum Items

	(billion Rs)		
	Latest week	A year ago	FY10
	17-Sep-10	19-Sep-09	
Money multiplier	3.1	3.2	3.4
Currency to deposit ratio	33.3	33.1	29.0
M2 to GDP ratio	44.1	50.3	44.1
Private sector credit to GDP ratio	22.5	27.4	23.1



*All FY10 numbers are provisional

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



The expansionary impact of heavy government's budgetary borrowings from SBP on reserve money was neutralized, to some extent, by the contraction in SBP's NFA.

Monetary Assets of SBP

(billion Rs)

	End June 2010 Stocks	Cumulative Flows		FY10 (Provisional)
		Latest week	A year ago	
		17-Sep-10	19-Sep-09	
NFA	378.9	-27.6	16.0	76.0
NDA: of which	1300.4	185.9	97.2	95.7
Budgetary borrowing	1208.7	195.1	106.6	44.0
Other items (net)	-231.2	18.9	0.1	42.1
Net Impact of OMOs/Discounting	7.7	47.5	51.2	3.1
Reserve money	1679.3	158.2	113.2	171.7

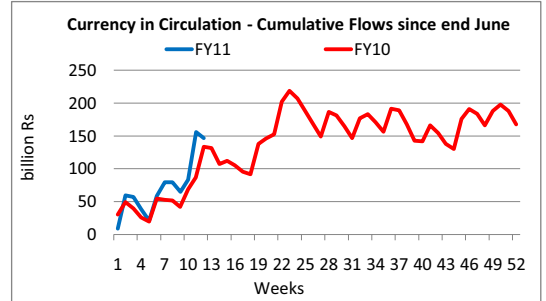
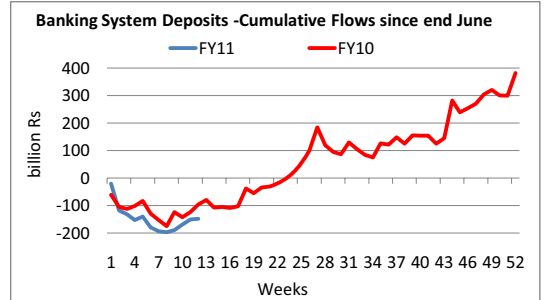
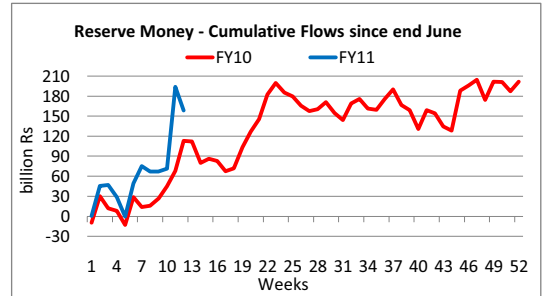
Monetary Liabilities of SBP

(billion Rs)

	End June 2010 Stocks	Cumulative Flows		FY10
		Latest week	A year ago	
		17-Sep-10	19-Sep-09	
Currency in circulation	1295.4	146.8	133.2	143.2
Cash in tills	87.7	0.4	-5.8	10.7
Bank deposits with SBP (reserves)	289.6	10.2	-14.5	15.8
Other deposits with SBP	6.7	0.8	0.3	2.0

Percent growth

NFA of the SBP	-7.3	5.3	25.1
NDA of the SBP: of which	14.3	8.1	7.9
Budgetary borrowing	16.1	9.1	3.8
Other items (net)	-8.2	-0.1	-15.4
Reserve money	9.4	7.5	11.4

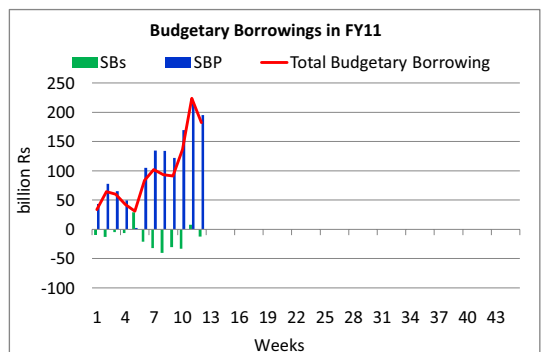
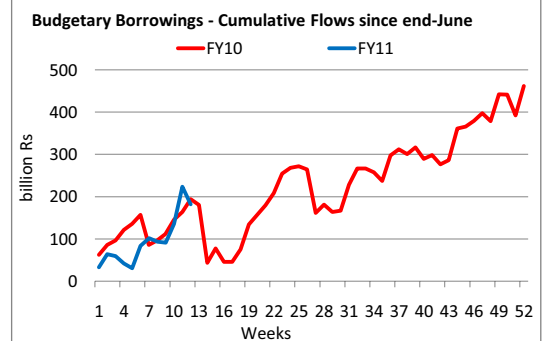


Government met the shortfall in financing of fiscal deficit through increased borrowings from SBP.

Details on Government Borrowing for Budgetary Support

(billion Rs)

	End June 2010 Stocks	Cumulative Flows		FY10
		Latest week	A year ago	
		17-Sep-10	19-Sep-09	
Budgetary Borrowing	2011.5	182.6	194.2	330.4
Federal government	2188.8	186.0	174.6	339.7
From SBP	1141.7	203.7	83.9	30.1
SBP's Holdings of MRTBs	1124.9	225.4	40.7	17.1
From SBs	1047.0	-17.7	90.7	309.5
Provincial governments	-177.3	-3.4	19.6	-9.2
From SBP	66.9	-8.6	22.6	13.9
From SBs	-244.2	5.2	-3.0	-23.1



Memorandum Items

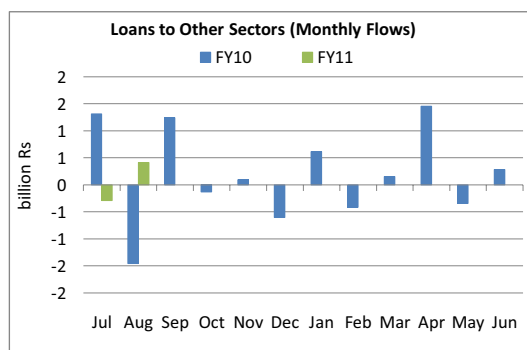
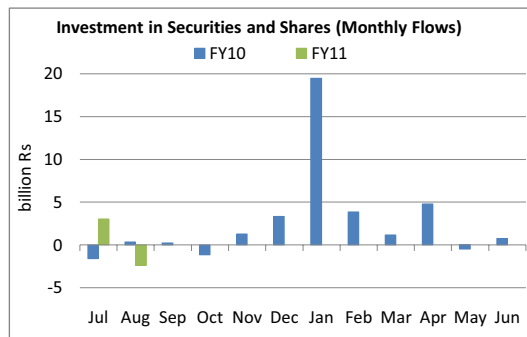
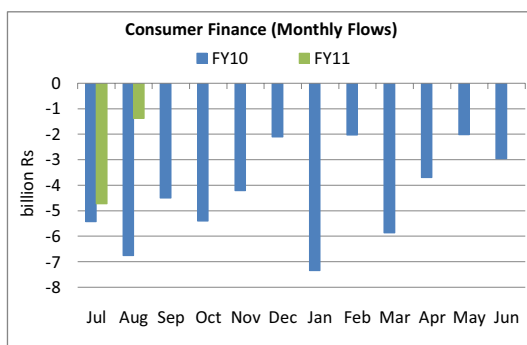
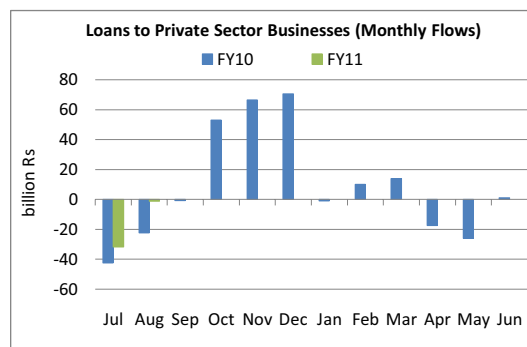
Cash basis	1934.6	188.3	216.1	304.6
SBP	1171.4	198.0	103.0	41.9
SBs	763.1	-9.7	113.0	262.6



The position of credit to private sector businesses was slightly better during July-August FY10 compared to that in corresponding months of the last year.

Credit to Private Sector

	End June 2010 Stocks	Flows during (billion Rs)		
		Jul-Aug FY11	Jul-Aug FY10	FY10
Total credit to private sector	3020	-45.8	-74.1	113.0
1. Loans to private sector businesses	2259	-33.0	-64.9	105.5
By type				
Working capital	1419	-46.5	-63.7	40.6
of which				
Export finance	240	-8.2	-5.4	12.0
Import finance	105	6.2	-4.6	11.1
Fixed investment	840	13.4	-1.2	64.9
By Sectors				
Of which				
Agriculture	170	↑ 1.8	↑ 1.6	↑ 7.0
Manufacturing	1264	↓ -24.5	↓ -52.1	↑ 31.8
<i>Of which</i>				
Textiles	470	↓ -10.9	↓ -9.6	↓ -12.8
Food products & beverages	214	↓ -31.6	↓ -27.6	↑ 10.8
Chemicals & products	157	↑ 5.8	↓ -4.5	↑ 19.2
Non-metallic mineral products	103	↑ 2.6	↓ -2.8	↑ 0.7
Wearing apparel, readymade gar.	48	↓ -0.3	↓ -2.0	↓ -0.3
Electricity, gas and water	216	↑ 0.3	↑ 3.3	↑ 61.1
Construction	67	↓ -0.8	↓ -3.8	↓ -3.9
Commerce and trade	230	↓ -3.3	↓ -9.1	↓ -4.0
Transport, storage and comm.	105	↓ -1.7	↓ -1.3	↑ 7.8
Services	161	↓ -3.5	↓ -2.7	↑ 11.7
<i>Of which</i>				
Real estate/renting & business act.	113	↓ -1.9	↓ -1.4	↑ 6.0
2. Personal: of which	321	↓ -5.6	↓ -7.6	↓ -42.7
Consumer financing	242	↓ -6.1	↓ -12.2	↓ -49.5
3. Investment in securities and shares	145	↑ 0.7	↓ -1.3	↑ 31.9
4. Others	295	↓ -7.9	↓ -0.4	↑ 18.3



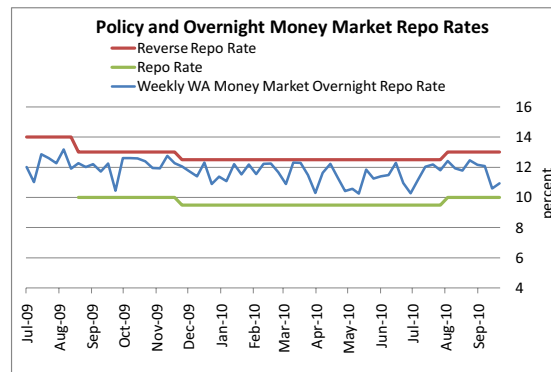


Money Market

SBP raised the policy rate by 50 basis points in the last monetary policy review on 30th July 2010.

	Policy Instruments (%)				
	Current	w.e.f	Previous	w.e.f	Change ¹
SBP reverse repo rate	13.0	2-Aug-10	12.5	25-Nov-09	↑ 50
SBP repo rate	10.0	2-Aug-10	9.5	25-Nov-09	↑ 50
CRR on demand liabilities	5.0	1-Nov-08	6.0	18-Oct-08	↓ -100
CRR on time liabilities	0.0	4-Aug-07	3.0	19-Jan-07	↓ -300
SLR on demand liabilities	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 time liabilities	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



Banks' excess cash reserves with SBP have increased considerably during September 2010.

	Weekly Cash Reserve Requirements ¹ (billion Rs)			
	Week Ended		Change since	
	Current	Last month	19-Aug-10	20-Nov-09 ²
	16-Sep-10	19-Aug-10		
Cash Required	185.7	184.8	↑ 0.9	↑ 16.8
Cash Maintained	197.2	191.8	↑ 5.4	↑ 22.3
Excess Cash Reserves (per day)	11.5	7.0	↑ 4.5	↑ 5.6

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 - 23-Sep-2010				
	Q1	Q2	Q3	Q4	YTD
W.A.O/N Repo Rate ¹	11.82	-	-	-	11.82
Standard Deviation	0.51	-	-	-	0.51
CoV ²	0.04	-	-	-	0.04

	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 ²	0.05	0.05	0.05	0.06	0.06

¹ Weekly Weighted Average O/N Repo Rate

² Coefficient of Variation

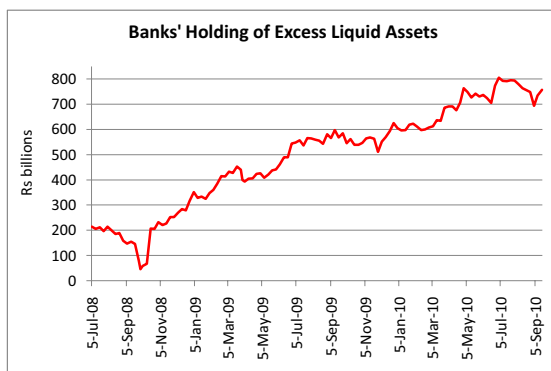
Banks' holding of liquid assets (cash plus securities) in excess of required reserves has remained slightly lower in September 2010 compared to previous months.

As of	Overall Reserve Requirement (billion Rs)			
	Current Last Month		Change since	
	9-Sep-10	6-Aug-10	6-Aug-10	4-Oct-08
Required Reserves	868.7	864.6	↑ 4.1	↓ -91.2
Cash ¹	185.7	184.8	↑ 0.9	↓ -88.7
Securities ²	683.0	679.8	↑ 3.1	↓ -2.5
Maintained	1603.1	1644.4	↓ -41.3	↑ 584.3
Cash	321.2	293.8	↑ 27.3	↓ -67.7
Cash in Tills	106.6	80.5	↑ 26.0	↑ 18.5
Balance with SBP	201.9	202.0	↓ -0.1	↓ -86.7
Balance with NBP	12.7	11.3	↑ 1.4	↑ 0.6
Securities	1244.7	1316.0	↓ -71.3	↑ 631.5
Others ³	37.2	34.5	↑ 2.7	↑ 20.5
Excess of Liquid Assets⁴	734.4	779.8	↓ -45.4	↑ 675.5

Source: Off-site Supervision and Enforcement Department, SBP

¹ Required under weekly average CRR

² Required under SLR



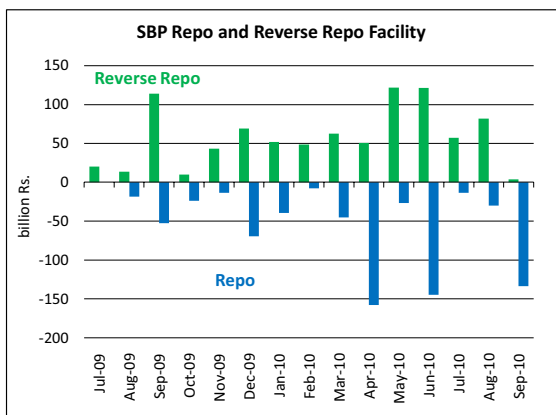
³ Includes Section 13(3) deposits and share capital of MFBS.

⁴ Includes excess securities + cash and other assets maintained.



Scheduled banks approached the SBP reverse repo facility only once during September 2010 so far, mainly due to higher OMO injections as compared to previous months of FY11.

	SBP Reverse Repo		SBP Repo	
	Amount	No. of Days	Amount	No. of Days
	billion Rs	#s	billion Rs	#s
FY09	865.0	122	-	-
Q1	314.5	24	-	-
Q2	304.5	63	-	-
Q3	145.5	23	-	-
Q4	100.5	12	-	-
FY10	724.2	54	602.1	50
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	329.9	16
FY11	142.2	13	229.9	16
Jul	56.9	5	13.5	1
Aug	81.8	7	30.3	5
Sep*	3.5	1	186.1	10



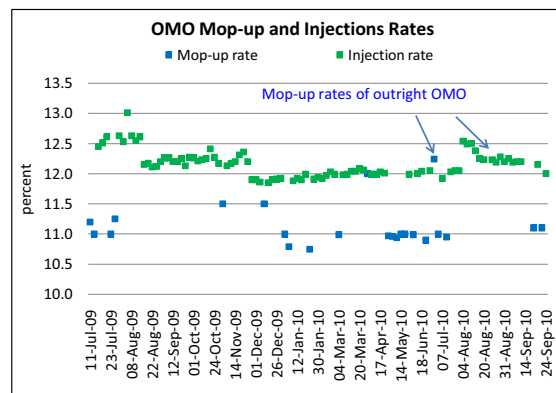
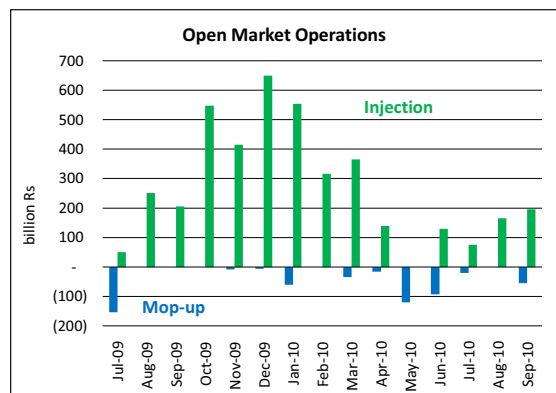
*Updated upto 24th September 2010 Source: Domestic Markets & Monetary Management Department, SBP

The rise in outstanding amount of net OMO injections during FY11 indicates tight liquidity condition in the market.

	Open Market Operations (billion rupees) [#]			Outstanding OMOs	
	Mop-up	Injection	Net Mop-up*	Amount	Maturity
FY09	1,367.7	1,234.1	133.6	-	-
Q1	436.1	254.6	181.4	-	-
Q2	384.3	237.9	146.4	-	-
Q3	392.3	60.0	332.3	-	-
Q4	155.0	681.5	(526.5)	-	-
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	74.9	436.7	(361.3)	-	-
Jul	20.5	75.1	(54.6)	-	-
Aug	-	165.1	(165.1)	-	-
Sep	54.4	196.6	(141.7)	-	-
24-Sep		8.4	(8.4)	8.4	1-Oct-10

Updated upto 24th September 2010 *Note: (-) amount means net injection (+) amount means net mop-up

Source: Domestic Markets & Monetary Management Department, SBP





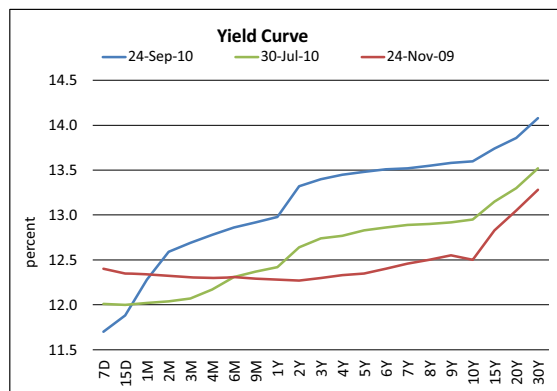
The yield curve shifted upward in line with increase in the policy rate.

Pak Rupee Revaluation (PKRV) Rates¹ (%)

Tenors	Current	last month	Change since last policy rate change*	
	24-Sep-10	19-Aug-10		30-Jul-10
1-week	11.70	12.25	↓	-31
2-week	11.88	12.30	↓	-12
1-month	12.28	12.35	↑	26
3-month	12.69	12.42	↑	62
6-month	12.86	12.62	↑	55
9-month	12.92	12.70	↑	55
1-year	12.98	12.76	↑	56
2-year	13.32	13.20	↑	68
3-year	13.40	13.41	↑	66
5-year	13.48	13.49	↑	65
7-year	13.52	13.58	↑	63
10-year	13.60	13.66	↑	65
20-year	13.86	13.93	↑	56
30-year	14.08	14.05	↑	56

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).

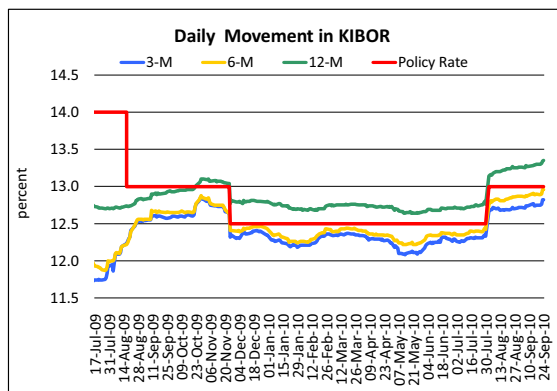
KIBOR of different tenors also increased with the policy rate hike.

Tenor-wise KIBOR (%)

Tenors	Current	last month	Change since last policy rate change*	
	24-Sep-10	19-Aug-10		30-Jul-10
1-Week	12.05	12.40	↓	-29
2-Week	12.29	12.54	↓	-6
1-Month	12.67	12.73	↑	28
3-Month	12.82	12.69	↑	49
6-Month	12.96	12.83	↑	54
9-Month	13.28	13.14	↑	58
12-Month	13.35	13.24	↑	59
2-Year	13.48	13.41	↑	63
3-Year	13.58	13.52	↑	64

Source: SBP and Financial Market Association of Pakistan

* In basis points

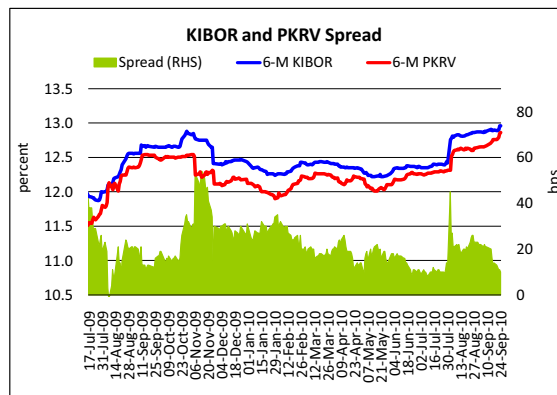


The spread between 6-month KIBOR and 6-month PKRV rates has narrowed due to a relatively higher increase in PKRV.

KIBOR and PKRV Spread (basis points)

Tenors	Current	last month	Change since last policy rate change	
	24-Sep-10	19-Aug-10		30-Jul-10
1-Week	35	15	↑	2
2-Week	41	24	↑	6
1-Month	39	38	↑	2
3-Month	13	27	↓	-13
6-Month	10	21	↓	-1
9-Month	36	44	↑	3
12-Month	37	48	↑	3
2-Year	16	21	↓	-5
3-Year	18	11	↓	-2

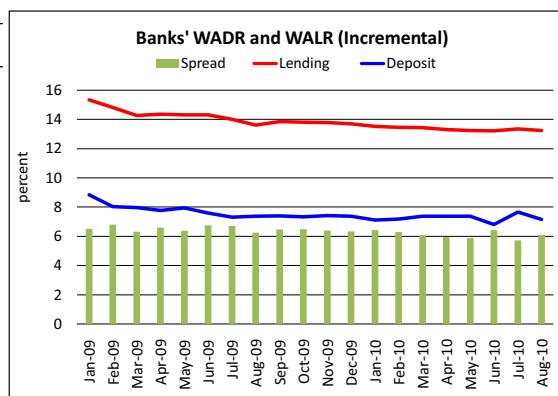
Sources: SBP





The spread between weighted average lending and deposit rates (incremental) fell in July 2010 due to marginal increase in deposit rates.

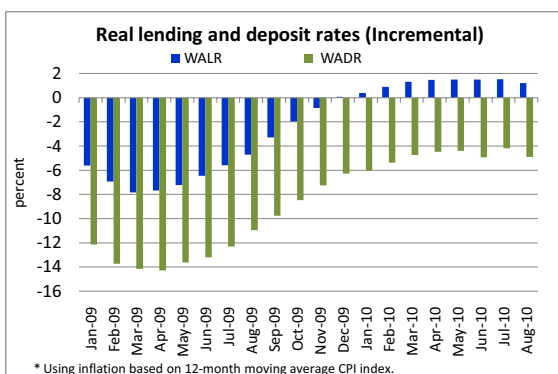
Months	Weighted average Lending and Deposit Rates (percent per annum)					
	Incremental ¹			Outstanding		
	WALR	WADR	Spread (bps)	WALR	WADR	Spread (bps)
Aug-09	13.62	7.38	624	13.73	6.41	732
Sep-09	13.85	7.39	646	13.67	6.29	738
Oct-09	13.82	7.33	649	13.67	6.26	741
Nov-09	13.80	7.41	639	13.58	6.25	733
Dec-09	13.71	7.38	633	13.49	6.14	735
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



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

Real deposit rates declined in August 2010.

Months	Real (based on 12-month MA inflation) ¹		Real (based on YoY inflation) ²	
	WALR	WADR	WALR	WADR
	Aug-09	-4.71	-10.95	2.93
Sep-09	-3.30	-9.76	3.73	-2.73
Oct-09	-1.97	-8.46	4.95	-1.54
Nov-09	-0.85	-7.24	3.29	-3.10
Dec-09	0.06	-6.27	3.19	-3.14
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



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

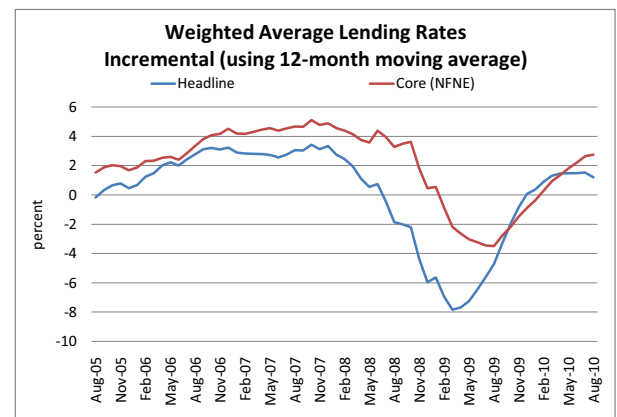
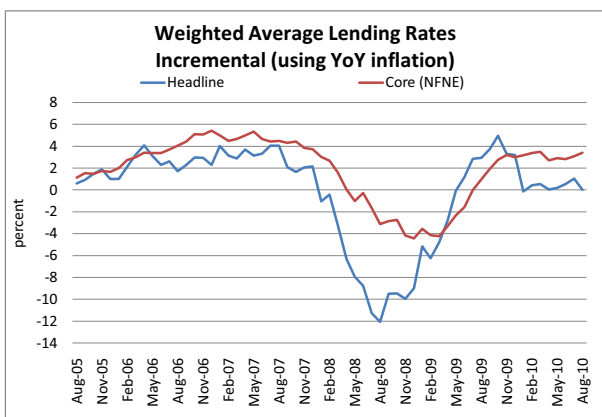
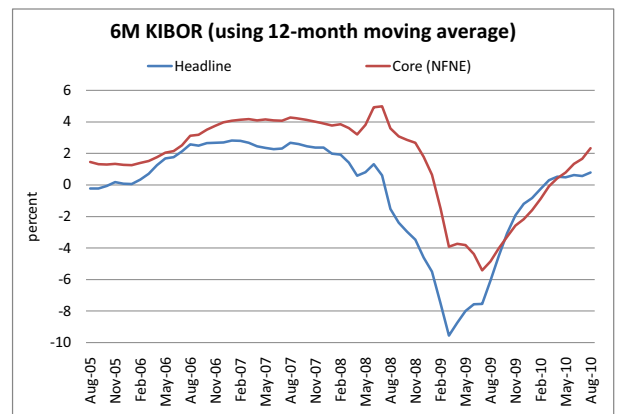
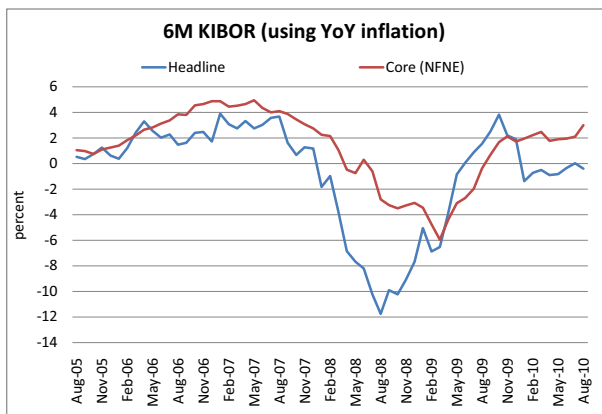
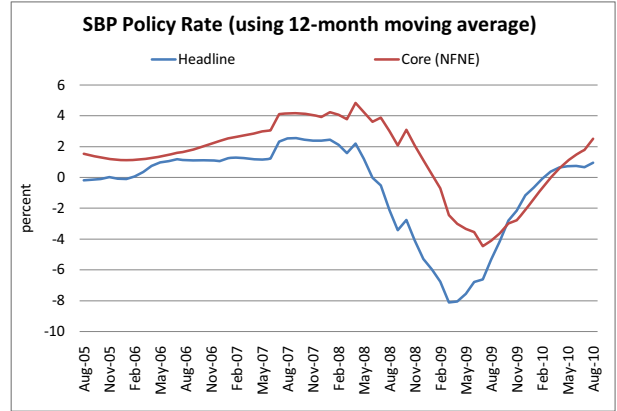
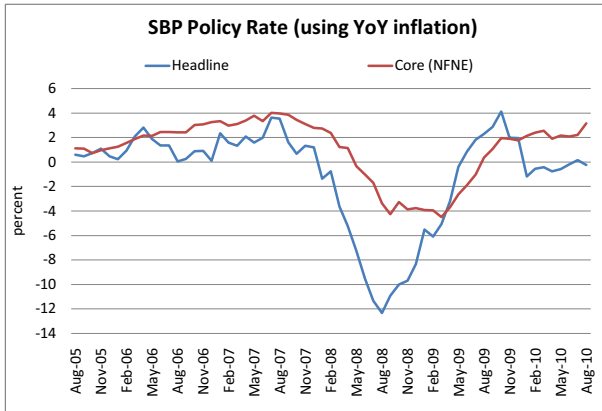
¹ Nominal rate less CPI inflation (12-month moving average).

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

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



Real Interest Rates



Sources: FBS and Statistics & Data Warehouse Department, SBP



Cut-off rates of 3- and 6-month bills have increased by an average of 10 basis points, while all bids in the 12-month tenor were rejected in the latest auction.

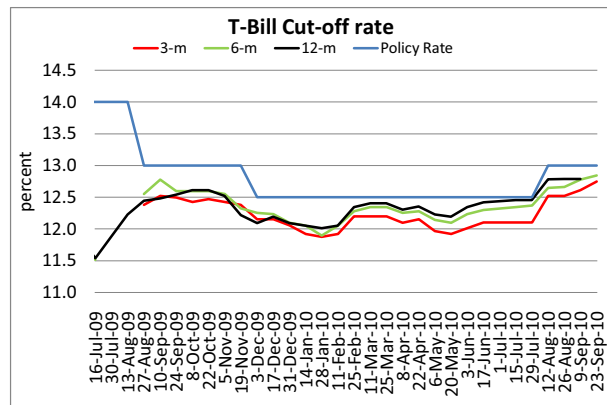
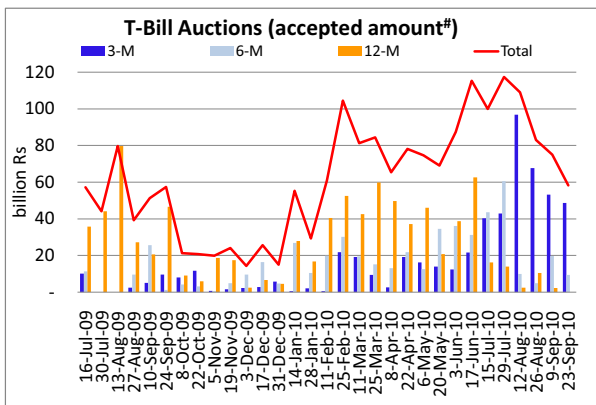
Amounts in billion Rs (Realized value)[#]; rates in percent

FY/Q/ Settlement Date	TOTAL				3-Month			6-Month			12-Month		
	Target	Maturity	Offered	Accepted	Offered	Accepted	Cutoff*	Offered	Accepted	Cutoff*	Offered	Accepted	Cutoff*
FY09	1,845.0	1,560.7	3,086.2	1,747.0	1,389.2	954.6	-	308.3	196.9	-	1,388.7	595.5	-
Q1	430.0	397.1	417.0	289.2	398.1	283.4	12.56	1.3	0.3	12.69	17.6	5.4	11.84
Q2	425.0	327.6	559.2	418.9	539.4	410.5	13.85	14.5	8.0	14.01	5.3	0.4	12.79
Q3	640.0	585.4	1,474.8	699.3	434.5	253.7	11.69	240.1	157.3	11.90	800.2	288.3	11.96
Q4	350.0	250.5	635.3	339.7	17.2	7.0	12.98	52.4	31.3	12.44	565.7	301.4	12.24
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	-
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
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
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
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
FY11	535.0	532.0	840.9	542.9	492.0	349.5	-	226.0	148.2	-	122.9	45.3	-
12-Aug	125.0	129.1	153.3	109.1	111.2	96.8	12.52	26.1	10.0	12.65	16.0	2.4	12.78
26-Aug	75.0	79.8	142.0	83.0	85.9	67.8	12.52	34.1	4.8	12.66	22.0	10.5	12.79
9-Sep	75.0	69.7	96.6	75.1	63.7	53.2	12.61	21.9	19.7	12.78	11.1	2.2	12.79
23-Sep	75.0	69.8	75.9	58.2	62.4	48.7	12.75	10.0	9.5	12.85	3.5	R [^]	R

Source: Domestic Markets & Monetary Management Department, SBP

Non-competitive bids and special auctions are not included.

*Quarterly rate are for end-period. ^ Bids Rejected



Ministry of Finance rejected bids in all tenors in the last two PIB auctions held on 18th August and 22nd July, 2010.

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
18-Aug-10	Cut-off rate	-	R	R	R	R	R	R	-
	Offered	-	3.1	1.7	0.4	8.0	0.3	1.1	15.6
	Accepted	25.0	R	R	R	R	R	R	-
22-Jul-10	Cut-off rate	-	R	R	R	R	R	R	-
	Offered	-	4.0	2.3	0.7	9.3	0.5	1.3	19.9
	Accepted	20.0	R	R	R	R	R	R	-
26-May-10	Cut-off rate	-	12.49	12.55	12.60	12.68	R	R	-
	Offered	-	3.9	1.9	0.8	11.6	0.5	3.0	25.1
	Accepted	10.0	3.0	1.3	0.3	6.3	R	R	10.8
17-Mar-10	Cut-off rate	-	12.50	12.60	12.70	12.75	N	R	-
	Offered	-	3.7	2.5	0.6	10.0	N	1.8	23.3
	Accepted	10.0	1.3	1.1	0.3	6.3	N	R	9.0
3-Feb-10	Cut-off rate	-	12.30	12.4	12.50	12.54	12.90	13.10	13.55
	Offered	-	4.2	2.1	0.7	7.8	0.1	4.7	24.3
	Accepted	10.0	3.1	1.4	0.2	4.2	0.1	0.5	9.8

*N=No bids; R=Bids rejected

Excluding non-competitive bids and short-selling accomodation

Source: Domestic Markets & Monetary Management Department, SBP



Foreign Exchange Market

PKR has remained stable vis-à-vis USD since the beginning of new fiscal year.

	PKR against International Currencies			% App/(Dpp) of PKR Cumulative since Jun-10
	Latest 24 Sep 10	Last MPS 30 Jul 10	Jun-10	
USD	86.00	85.69	85.51	(0.57)
Euro	115.39	111.44	104.82	(9.16)
Sterling	135.12	133.79	128.35	(5.01)
JPY	1.02	0.99	0.96	(5.48)
USD Kerb	86.08	85.88	85.45	(0.73)
Premium (Rs)	0.07	0.18	(0.06)	-
Daily NEER*	51.96	53.06	54.61	(4.86)

* Daily Nominal Effective Exchange Rate

Source: SBP

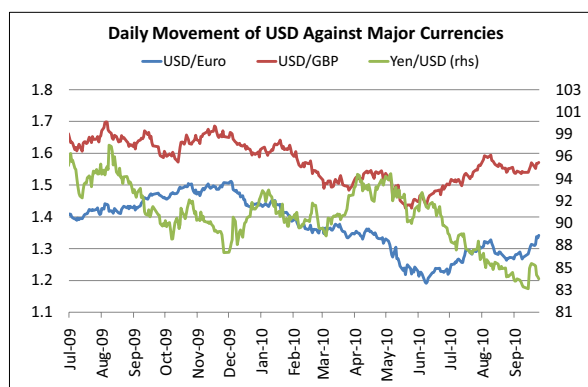
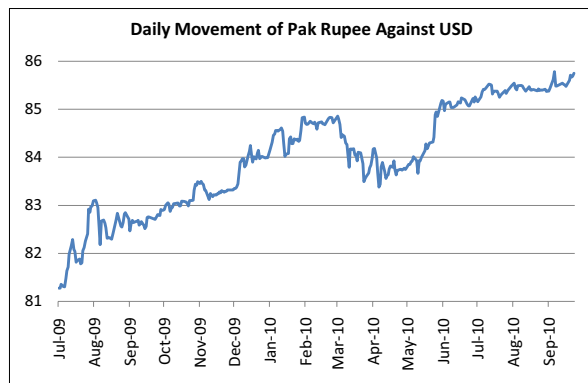
	International Exchange Rates			% App/(Dpp) of USD Cumulative since Jun-10
	Latest 24 Sep 10	Last MPS 30 Jul 10	Jun-10	
EUR/USD	1.34	1.30	1.23	(8.63)
GBP/USD	1.57	1.56	1.50	(4.46)
USD/JPY	84.28	86.20	88.66	(4.93)
USD/INR	45.26	46.53	46.58	(2.82)
USD/CNY	6.70	6.77	6.78	(1.15)
USD/THB	30.70	32.26	32.40	(5.28)
USD/MYR	3.09	3.18	3.24	(4.46)
USD/SGD	1.33	1.36	1.39	(4.96)

Source: SBP

USD/PKR Interbank Exchange Rate Trends on Fiscal Year Basis

	High	Low	Close	Average	Volatility C/C ¹
FY09	84.08	68.47	81.46	78.65	6.74
FY10	85.58	81.40	85.51	83.89	3.02
FY11	86.09	85.40	86.00	85.70	1.53

¹ Reuters: Average Close-to-Close Daily Volatility (in %) *Updated up to 24th September 2010



USD/PKR Interbank Exchange Rate Trends on Quarterly Basis

	High	Low	Close	Average	Volatility C/C ¹
Q1-FY09	78.50	68.47	78.16	74.25	12.55
Q2-FY09	84.08	78.00	79.10	79.95	8.29
Q3-FY09	80.80	78.76	80.51	79.77	3.43
Q4-FY09	81.70	80.35	81.46	80.79	2.61
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	84.65	2.77
Q4-FY10	85.58	83.50	85.51	84.60	2.74
Q1-FY11	86.09	85.40	86.00	85.70	1.53

¹ Reuters: Average Close-to-Close Daily Volatility (in %) *Updated up to 24th September 2010



In real terms, PKR depreciated slightly since end June 2010 on account of PKR's weakening against currencies of trading partners.

Changes in Real Effective Exchange Rate (REER)

Base Year: CY2000

		REER Index	App(+)/Dep(-)													
			2007			2008				2009				2010		
			Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Aug ^P
2007	Jun	96.09	-	2.04	0.04	-2.14	-2.34	-5.77	-0.67	1.53	-2.56	-3.51	-4.24	0.75	5.52	5.49
	Sep	98.05	-	-	-1.96	-4.10	-4.29	-7.66	-2.65	-0.50	-4.50	-5.44	-6.15	-1.26	3.41	3.38
	Dec	96.13	-	-	-	-2.18	-2.38	-5.81	-0.70	1.49	-2.60	-3.55	-4.27	0.71	5.48	5.45
2008	Mar	94.03	-	-	-	-	-0.20	-3.71	1.51	3.75	-0.42	-1.40	-2.14	2.96	7.83	7.80
	Jun	93.84	-	-	-	-	-	-3.52	1.72	3.96	-0.22	-1.20	-1.94	3.16	8.05	8.02
	Sep	90.54	-	-	-	-	-	-	5.42	7.75	3.41	2.40	1.63	6.92	11.99	11.95
	Dec	95.45	-	-	-	-	-	-	-	2.21	-1.91	-2.86	-3.59	1.42	6.23	6.20
2009	Mar	97.56	-	-	-	-	-	-	-	-	-4.02	-4.96	-5.68	-0.77	3.93	3.90
	Jun	93.63	-	-	-	-	-	-	-	-	-	-0.98	-1.72	3.39	8.29	8.26
	Sep	92.72	-	-	-	-	-	-	-	-	-	-	-0.75	4.41	9.36	9.33
	Dec	92.02	-	-	-	-	-	-	-	-	-	-	-	5.21	10.19	10.16
2010	Mar	96.81	-	-	-	-	-	-	-	-	-	-	-	-	4.74	4.71
	Jun	101.40	-	-	-	-	-	-	-	-	-	-	-	-	-	-0.03
	Aug ^P	101.37	-	-	-	-	-	-	-	-	-	-	-	-	-	-

^P Provisional

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

		WA Exchange Rate	App(+)/Dep(-)													
			2007			2008				2009				2010		
			Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	24-Sep
2007	Jun	60.41	-	-0.48	-2.17	-3.69	-11.53	-22.59	-23.63	-24.91	-25.78	-27.38	-28.31	-28.24	-29.32	-29.71
	Sep	60.70	-	-	-1.70	-3.22	-11.11	-22.22	-23.27	-24.55	-25.43	-27.03	-27.97	-27.90	-28.98	-29.38
	Dec	61.75	-	-	-	-1.55	-9.57	-20.88	-21.94	-23.24	-24.14	-25.77	-26.72	-26.65	-27.75	-28.15
2008	Mar	62.72	-	-	-	-	-8.15	-19.63	-20.71	-22.03	-22.94	-24.60	-25.57	-25.50	-26.62	-27.02
	Jun	68.28	-	-	-	-	-	-12.50	-13.68	-15.12	-16.11	-17.91	-18.97	-18.89	-20.11	-20.55
	Sep	78.04	-	-	-	-	-	-	-1.34	-2.99	-4.12	-6.18	-7.39	-7.30	-8.69	-9.20
	Dec	79.10	-	-	-	-	-	-	-	-1.67	-2.82	-4.90	-6.13	-6.04	-7.45	-7.96
2009	Mar	80.44	-	-	-	-	-	-	-	-	-1.17	-3.29	-4.54	-4.44	-5.88	-6.40
	Jun	81.39	-	-	-	-	-	-	-	-	-	-2.15	-3.41	-3.31	-4.77	-5.30
	Sep	83.18	-	-	-	-	-	-	-	-	-	-	-1.29	-1.19	-2.68	-3.22
	Dec	84.26	-	-	-	-	-	-	-	-	-	-	-	0.10	-1.40	-1.95
2010	Mar	84.18	-	-	-	-	-	-	-	-	-	-	-	-	-1.50	-2.05
	Jun	85.46	-	-	-	-	-	-	-	-	-	-	-	-	-	-0.56
	24-Sep	85.94	-	-	-	-	-	-	-	-	-	-	-	-	-	-



Capital Market

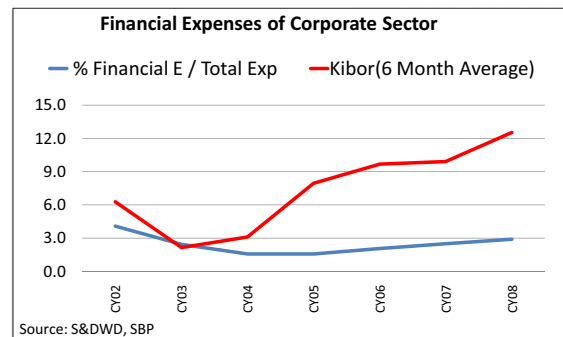
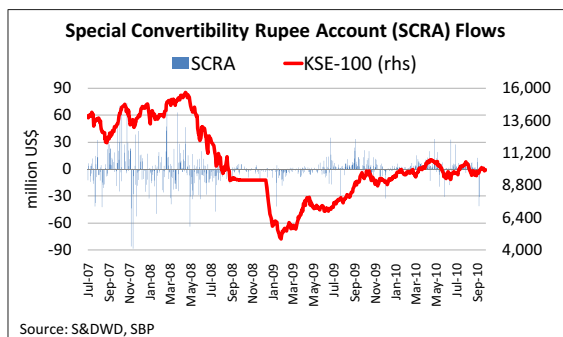
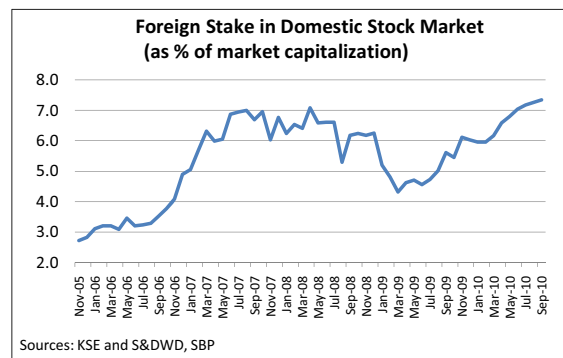
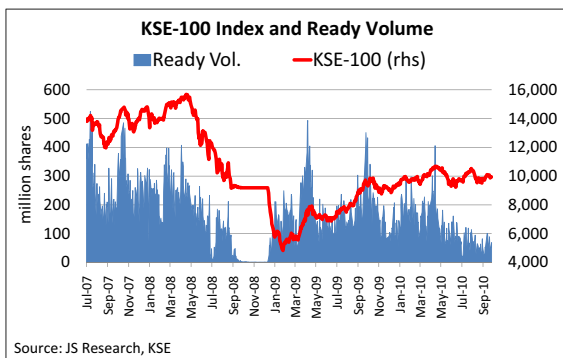
KSE-100 index, market capitalization and ready volume show improvement during September 2010, against the previous month.

Performance of Karachi Stock Exchange

	FY11		H1-FY10	FY10	Change (%)			
	Sep-10 ¹	Aug-10			Sep 10 ¹ over Aug 10	Sep10 ¹ over H1-FY10	FY11 ¹ over FY10	FY10 over FY09
KSE-100 Index	9,936.8	9,813.1	9,386.9	9,721.9	1.3	5.9	2.2	35.7
KSE-30 Index	9,638.9	9,699.8	9,849.9	9,556.6	-0.6	-2.1	0.9	26.2
Market Capitalization (billion Rs.)	2,746.1	2,741.5	2,705.9	2,732.4	0.2	1.5	0.5	28.8
Ready Volume (million shares-Avg.)	58.5	56.5	173.1	161.3	3.5	-66.2	-63.8	54.3
SCRA Cumulative flows ² , Since July (US\$ million)	42.0	85.9	270.0	568.9	-51.1	-84.5	-92.6	205.9

¹ Up to 27th September 2010; ² Up to 23rd September 2010

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





Financial Soundness Indicators

Despite higher provisioning against rising NPLs, banks' profitability indicators show improvement over 2009.

	2008	2009 [#]	Jan-Mar 2010	Apr-Jun 2010
Risk weighted CAR*	12.2	14.0	13.7	13.9
NPLs to total loans	10.5	12.6	13.1	12.9
Provision to NPLs	69.6	69.9	70.9	73.2
Returns on assets (before tax)	1.2	1.3	1.8	1.8
Return on assets (after tax)	0.8	0.9	1.1	1.1
ROE--average equity and surplus (before tax)	11.4	13.2	17.8	17.7
ROE--average equity and surplus (after tax)	7.8	8.9	11.1	10.9
Net interest income/gross income	70.3	72.4	74.0	74.7
Liquid assets/total assets	28.2	32.7	32.4	34.2
Liquid assets/total deposits	37.7	44.5	43.7	45.3
Advances/deposits	75.2	67.7	66.4	63.0

Source: Banking Surveillance Department, SBP

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

[#] Annual audited accounts submitted by banks for the year ended December 31, 2009 except data for BOP, ZTBL which is based on un-audited Quarterly Report of Conditions (QRC) for quarter ended December 31, 2009.

Note: Financial Soundness Indicators are prepared on the basis of unaudited Quarterly Report of Condition submitted by banks.

