

# 1 Maintaining Price Stability with Growth

## 1.1 Overview

FY09 was a challenging year for SBP in terms of achieving its prime objective of price stability. Due to the deteriorating domestic macroeconomic imbalances, worsening global economy, and rising international commodity prices, inflation rose to its historic high levels. Bringing inflation down was an uphill task given the rising expenditures on account of domestic political situation and meager domestic resources. Availability of foreign resources was uncertain due to the global downturn and subdued foreign investors' interest. The weakening of the economic conditions also led to turbulence in the financial markets resulting in severe liquidity shortages in both the money and foreign exchange markets. In these circumstances, SBP endeavored to contain inflation more aggressively with policy rate hikes and took corrective actions to ease the liquidity conditions in the financial markets. Moreover, SBP decided for more frequent reviews of the economy.

Later on, when towards the end to the first half of FY09, the economy started to pick a positive turn and the outlook of the economy appeared encouraging, SBP reviewed its policy and decided not to continue with the further tightening of monetary policy. By the end of third quarter of FY09, the macroeconomic situation improved further and allowed the SBP to initiate an easing of monetary policy. The year culminated with a significant improvement in the fiscal deficit and external current account deficit and a substantial reduction in inflation. Foreign exchange reserves have once again reached to a decent level and confidence in the economy appears to be improving.

While addressing the economic issues, SBP also focused on improving its capacity to handle the ever changing economic environment and emerging policy challenges. In this regard, it took a number of steps during the year. First, to improve vigilance of the economy, SBP increased the frequency of issuing monetary policy statements from bi-annual to quarterly basis. Second, the decision making process was further streamlined by regular meetings of the Monetary Policy Committee. Third, decision making was made more prudent and forward looking by supporting it with improved information content, analysis of economic developments, and forecasts of key macroeconomic indicators.

Further, to improve the effectiveness of monetary policy, the decision making responsibility regarding the cut off rate for T-bills auction was transferred to the Ministry of Finance. This step allows a clear signaling of the monetary policy stance and communicates the market separation of its debt and monetary management functions. More recently, SBP has also introduced an interest rate corridor of 300 bps below the policy discount rate to make the transmission mechanism more effective.

In addition, to effectively communicate monetary policy to a wider audience, the monetary policy stance was explained through print and electronic media more frequently and its various publications are now also being released in Urdu.

## 1.2 Monetary Policy Statement

In FY09, SBP issued three monetary policy statements (MPS), i.e., for the first half and then one each for the last two quarters of the year. In addition, in November 2008, the central bank also published a supplementary report to announce interim monetary policy measures. Two regular MPS in H2-FY09 was a new step and a deviation from SBP's past practice of issuing MPS on bi-annual basis. Given an uncertain and rapidly changing macroeconomic environment, and to enhance the effectiveness of monetary policy, SBP decided in January 2009 to announce its monetary policy decisions on quarterly basis. In August 2009 the frequency of monetary policy decisions was further increased from four to six times in a fiscal year. Henceforth, monetary policy decisions will be announced in the last week

of July, September, November, January, March, and May. Moreover, it is decided that the January and July policy announcements will be accompanied with a detailed monetary policy statement and a press conference. On remaining four occasions monetary policy decisions will be communicated through a brief press release only.

In the monetary policy statement for July-December 2008, considering the risks related to rising external current account and fiscal deficits, and worsening inflation outlook, SBP decided to increase its policy rate by 100 bps to 13 percent effective July 30, 2008. Also, considering the adverse impact of continued borrowing by the government from SBP on inflation, the SBP Central Board of Directors resolved that government should retire Rs21 billion in each quarter of FY09.

Notwithstanding these measures, additional unanticipated developments emerged and the outcome during the first four months of FY09 deviated substantially from expectations. In particular, both the fiscal and external current account did not witness the expected improvement, and weakening financial inflows resulted in a substantial drawdown of foreign exchange reserves and a sharp depreciation of Pak-rupee. This worsening macroeconomic situation forced the central bank to announce interim monetary policy measures in November 2008, which included a 200 bps increase in the policy rate to 15 percent effective from November 13, 2008.

By the end of FY 2009, it became quite clear that both, the fiscal and the external current account, deficits would be lower compared to their respective levels in FY08. However, not only the expected magnitudes of these deficits were still quite high but there were risks of slippages also. Similarly, the high expected inflation at that time and its persistence, reflected by core inflation measures, were clearly showing the risk on this front. To mitigate the implications of these risks and taking a precautionary approach, SBP left the policy rate unchanged at 15 percent in the MPS for Q3-FY09. As both fiscal and external current accounts continued to show improvement and inflation outlook started to improve, SBP announced a 100 bps cut in its policy rate to 14 percent on April 20, 2009 in the MPS for Q4-FY09 – the first cut in the policy rate in the last four years. As the economy stabilized further, and inflation came down quickly April 2009 onwards, in recently announced MPS in August 2009, SBP further lowered its policy rate to 13 percent. While easing monetary policy, SBP remains fully cognizant of risks associated with an uncertain global environment and domestic structural vulnerabilities. These could lead to deterioration in the country’s balance of payments, fiscal position, and inflation outlook.

### 1.3 Conduct of Monetary Policy and Credit Policy

#### 1.3.1 Open Market Operations (OMOs)

FY09 was a challenging year in terms of liquidity management as it saw huge swings in interbank liquidity. Apart from changes in the discount rate, OMOs remained the major tool for monetary management during FY09, although measures such as changes in CRR and SLR were also taken to

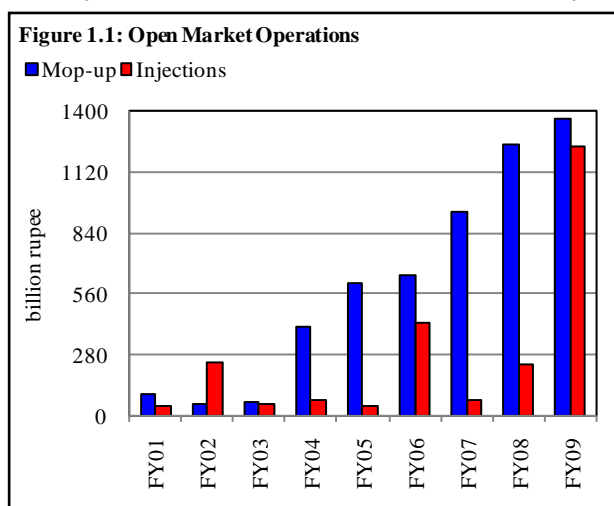
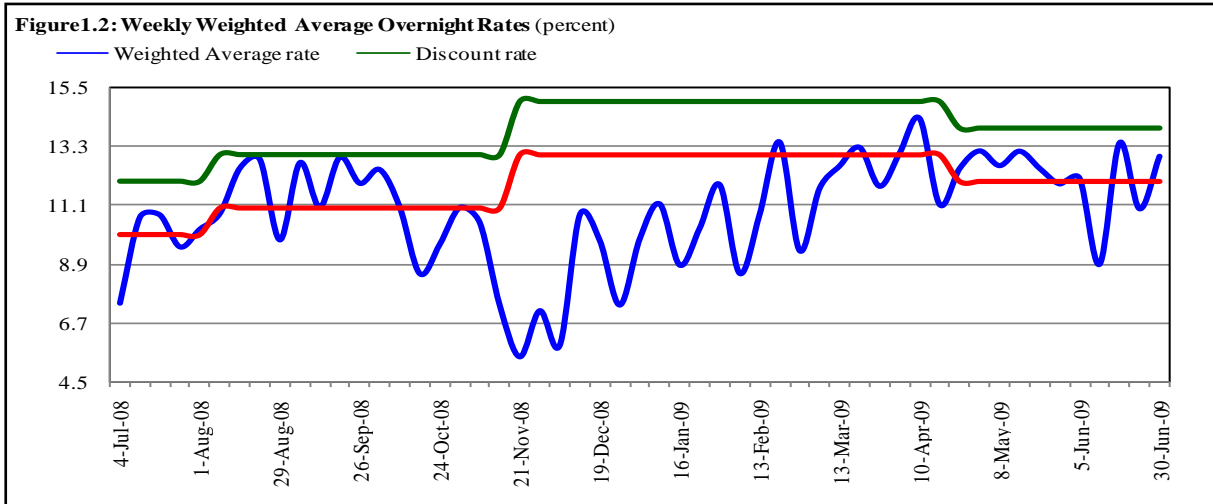


Table 1.1: Open Market Operations during FY09

	OMO (billion rupees)			Weighted average O/N repo rates	
	Mop up	Injection	Net mop up	Average	SD
Q1	436.1	254.6	181.4	11.0	1.6
Q2	384.3	237.9	146.4	9.0	2.2
Q3	392.3	60.0	332.3	11.0	1.6
Q4	155.0	679.5	-524.5	12.3	1.3
<b>FY09</b>	<b>1367.7</b>	<b>1232.1</b>	<b>135.6</b>	<b>11.0</b>	<b>2.0</b>

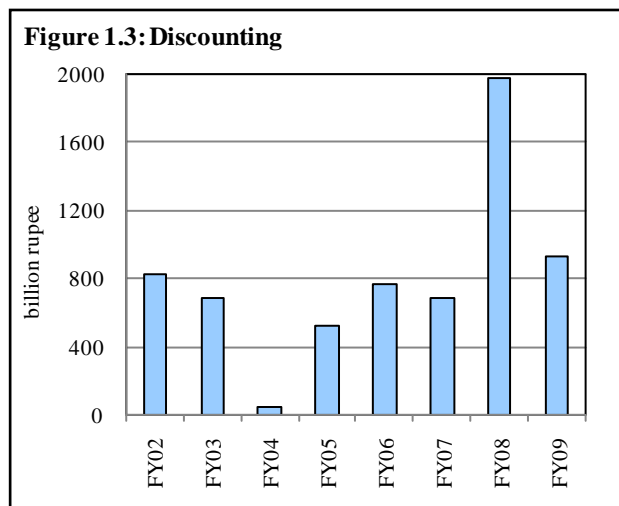
inject permanent liquidity during Oct-Nov 2008. Liquidity situation remained under stress during most of H1-FY09 mainly due to depletion of net foreign assets (NFA) and unfounded market rumors about the stability of some of the local banks. In the first quarter weighted average rate anchored within 200bps wide implicit corridor, however, State Bank of Pakistan deliberately kept interbank money market liquid during the second and third quarters of FY09, to dilute the above liquidity concerns and to ensure adequate flow of funds to the private sector and GoP. For example, SBP injected Rs492.6 billion during H1 and Rs739.5 billion during H2-FY09 (see **Figure 1.1** and **Table 1.1**) through OMOs besides permanently injecting around Rs270.0 billion by reducing CRR by 400 bps and abolishing SLR on Time Liabilities during H1-FY09. Moreover, banks availed Rs932.2 billion during FY09 using discount window facility to ease liquidity crunch to some extent.



The Weighted Average O/N rate during FY09 remained at 11.00 percent consistent with the monetary policy stance. However, volatility of Weighted Average O/N rate increased considerably due to liquidity stress during FY09 and SBP’s deliberate strategy to keep the interbank market liquid during second and third quarter of FY09 (see **Figure 1.2**).

**1.3.2 Discount Window Operations**

Along with other liquidity management measures, banks also accessed the discount window totaling Rs932.2 billion during the year (see **Figure 1.3**). The number of visits at the discount window remained 123 in FY09 as against 137 in FY08. The quarterly break up of discounting data showed that 73.6 percent of the total discounting was availed during the first two quarters when interbank money market faced acute shortage of liquidity.

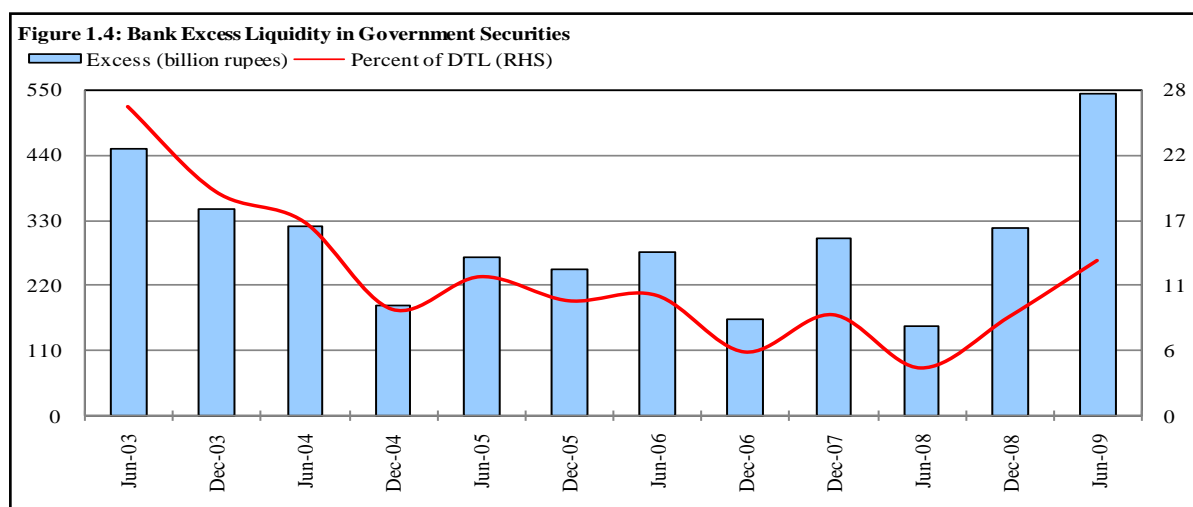


**1.3.3 Statutory Liquidity Requirement (SLR) and Cash Reserve Requirement (CRR)**

The H1-FY09 (especially the 2nd Qtr) remained in the grip of liquidity crunch due to the depletion of NFA and negative sentiments arising out of unfounded rumors about few banks. Besides injection through OMOs and increase in banks’ effective access to discount window, SBP took a series of steps to ease the liquidity situation and restore stability in the market. These are given as follows:

- During 11th October to 1st November 2008, SBP reduced the Cash Reserve Requirement (CRR) by 400 bps to 5 percent of the time and demand liabilities (TDL) in a phased manner: a reduction of 100 bps effective from 11th October; a 200 bps effective from 18th October; and another 100 bps effective from 1st November 2008.
- Effective from 18th October 2008, SBP exempted the time deposits of one year and higher tenor from Statutory Liquidity requirements (SLR).
- Effective from 13th October 2008, SBP allowed securities categorized as “Held-to-Maturity” for borrowing from SBP under SBP’s 3-day repo facility/OMOs.
- Effective from 18th October 2008, SBP increased the SLR eligibility limit of the PIBs from 5 percent to 10 percent of the TDL.

Above steps resulted in normalcy in the interbank market in short time. These actions resulted in permanently injecting liquidity of around Rs270.0 billion in the banking sector. The easing of the liquidity by the SBP in October 2008 has helped the market conditions considerably as reflected in an improved excess reserve position of the banks. In the third quarter of FY09, these excess reserves continued to increase on account of the slowdown in private sector credit. Excess reserves increased from a low of 2.1 percent (Rs79 billion) as on September 30, 2008 to 13.24 percent (Rs543.97 billion)



of the TDL by Jun 09 (see **Figure 1.4**). (Excess Liquidity is defined as the surplus holdings of government securities / cash over and above the minimum CRR/SLR requirement). As a result of improved liquidity in the banking system, the liquidity spread (i.e., the difference between the clean interbank deposits rates and collateralized repo rates) has narrowed down considerably.

#### 1.4 Interest Rate Trends /Yield Curve

In continuation to tight monetary policy stance adopted by SBP since 2005, the discount rate was further raised twice during H1-FY09 by 100 and 200 bps in July and November 2008. These actions were undertaken to contain aggregate demand pressures. Cut-off yields on government securities for different maturities increased and the yield curve moved accordingly. However, after the decline of inflation numbers since February 2009, SBP reduced discount rate by 100 bps w.e.f. April 21, 2009 (see **Figure 1.5**). Market interest rates had already started to incorporate a reduction in the discount rate prior to the above reduction.

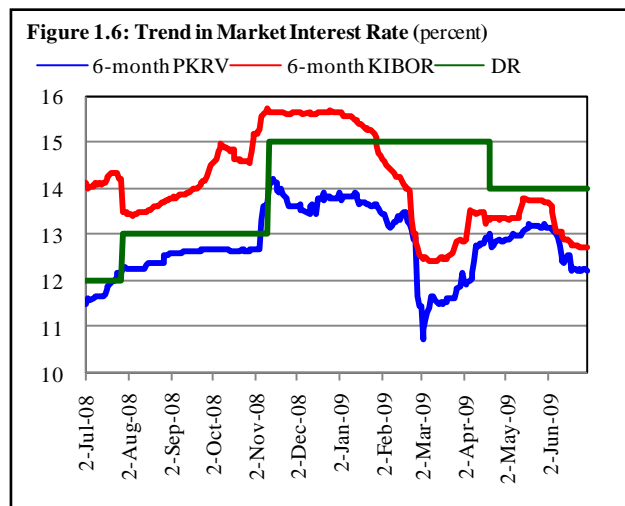
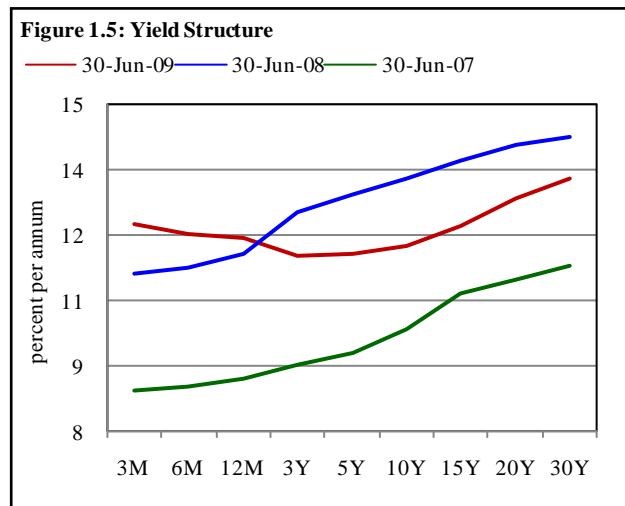
Movement in KIBOR for various tenors mirrored the liquidity situation and interest rate expectations during the year. For example, the 6-month KIBOR reached to its peak level of 15.76 percent on November 11, 2008 and hovered around that level till the end of H1-FY09. Similarly, KIBOR for 12-month remained in the vicinity of 16 percent during November 2008 to January 2009 (see **Figure**

**1.6).** Results of liquidity management measures taken by SBP are visible from the beginning of H2-FY09 as KIBOR started to decline. Sharp decline was seen in 6 month KIBOR in March 2009 in the backdrop of slowdown in private sector credit and expectations of an interest rate cut.

**1.5 Segregation of Debt and Monetary Management**

To further strengthen and segregate the responsibilities of debt and monetary management, two landmark measures were announced by State Bank of Pakistan in January 2009: (i) prior announcement of the auction calendar for Treasury Bills (T-bills) and Pakistan Investment Bonds (PIBs) and a volume based approach to determine the auction result. The measure was a significant step towards development of the Government Securities market in the country. (ii) Ministry of Finance would henceforth be responsible for deciding the cut off yields in the primary auctions of T-bills and PIBs. State Bank of Pakistan however would continue to manage the operational aspect of the auctions and there would be no change in the process from the market’s perspective.

**1.6 Government Bonds Market**



**Table 1.2: Snapshot of PIB Maturities & Issuance during FY09**  
As on May 28, 2009

Tenors	Maturity	Face value amount issued				Total issued	Variance	Weighted average issuance yield	Percent share issuance yield
		30-Aug-08	19-Feb-09	16-Apr-09	28-May-09				
3-years	14,088.0	187.5	3,977.5	3,071.5	2,866.5	10,103.0	-3,985.0	0.1	0.1
5-years	27,765.3	0.0	3,023.2	2,830.0	2,988.0	8,841.2	-18,924.1	0.1	0.1
7-years	0.0	200.0	2,735.0	2,592.0	1,800.0	7,327.0	7,327.0	0.1	0.1
10-years	0.0	688.3	7,821.0	14,156.0	12,365.5	35,030.8	35,030.8	0.1	0.5
15-years	0.0	56.0	1,180.0	63.4	103.0	1,402.4	1,402.4	0.2	0.0
20-years	0.0	0.0	1,500.0	200.0	200.0	1,900.0	1,900.0	0.2	0.0
30-years	0.0	2,500.0	2,000.0	100.0	2,000.0	6,600.0	6,600.0	0.1	0.1
<b>Total</b>	<b>41,853.3</b>	<b>3,631.8</b>	<b>22,236.7</b>	<b>23,012.9</b>	<b>22,323.0</b>	<b>71,204.4</b>	<b>29,351.1</b>	<b>0.1</b>	<b>1.0</b>

**Pakistan Investment Bonds**

The PIB issuance in FY09 remained same as in FY08. State Bank of Pakistan continued with its strategy of reopening previous issues throughout the year to build liquidity and size in benchmark issues. Government of Pakistan introduced another tenor of 7 years in the PIB primary auctions.

Dissemination of advance PIB auction calendar not only assured market participants about the supply of bonds but also the desired maturity profile of the government borrowings. Banks showed keen interest in 10 year PIB, while insurance companies remained interested in longer tenors of PIB. At the end of FY09 outstanding stock of PIBs remained at Rs440.99 billion as against Rs411.63 billion at the end of FY08 (see **Table 1.2**).

Going forward, the strategy is to narrow the variety of debt instruments by consolidating and standardizing government issues with emphasize on size of specific issues. By concentrating government bond issues in a relatively limited number of popular standard maturities, enhanced liquidity in those securities can be ensured.

### Market Treasury Bills

On shorter end of yield curve, government raised net Rs304.3 billion in all three tenors of MTBs. Due to change in interest rate scenario in second half, 12-month MTB remained heavily subscribed. The

**Table 1.3: Market Treasury Bills**

Quarter	No. of Auctions <sup>1</sup>	Target	Maturity	Amount offered (face value)	Amount accepted	
					(Realized value)	(Face value)
Q1	7	430,000	397,239	430,279	289,145	297,612
Q2	7	500,000	395,193	577,619	486,713	502,419
Q3	6	565,000	517,775	1,609,197	631,496	684,177
Q4	6	350,000	250,537	713,129	339,470	380,847
<b>FY09</b>	<b>26</b>	<b>1,845,000</b>	<b>1,560,744</b>	<b>3,330,224</b>	<b>1,746,824</b>	<b>1,865,055</b>

1:/ All auction on the basis of settlement dates.

activities in MTB primary market were further aided by the release of advance auction calendar which provided a clearer idea of the government borrowing needs. The cut-off yields remained consistent with the borrowing requirement of the government as reflected in the auction calendar and the interest rate expectations (see **Table 1.3**).

**Table 1.4: Detail of Ijara Sukuk Conducted during FY09**  
million rupees

Auction settlement date	Amount accepted	Margin (Bps) over MTB
26-Sep-08	6,522.5	+45.0
29-Dec-08	6,000.0	+75.0
11-Mar-09	15,325.0	+0.0
<b>Total</b>	<b>27,847.5</b>	

### Government Ijara Sukuk

Another important landmark of FY09 is the issuance of government of Pakistan Ijara Sukuk. During FY09 the government has conducted three Sukuk auctions of 03 years tenor with total issued amount standing at Rs27.85 billion (see **Table 1.4**). The issuance of GoP Ijara Sukuk is a significant step towards the development of inter-bank Islamic money market as it also provides an investment alternative to both Islamic and conventional banks. This is a floating rate instrument with the 6 month rental benchmarked to the 6-Month Weighted Average MTB Auction rate.

### 1.7 Strengthening the Process of Monetary Policy Formulation and Implementation

During FY09, SBP's internal Monetary Policy Committee (MPC), chaired by the Governor, met regularly to review macroeconomic developments, assess the need for policy changes, and approve monetary policy statements for submission to the SBP's Central Board of Directors. Minutes of all the meetings were prepared and later circulated to all the members of MPC. The information set provided to the internal MPC – the MPC Information Compendium – has also been substantially improved. It

not only summarizes the trends and developments of all the important macroeconomic variables using self explanatory tables and graphs but also provides detailed projections of key macroeconomic variables. The compendium is updated and circulated among MPC members on around 20th of every month, after which an MPC meeting is called within a week's time. In addition, a number of reports and brief policy notes are submitted to MPC members, which includes analysis of key monetary aggregates such as government borrowing and private sector credit, banking and financial sector developments, current monetary management procedures, and recommendations for further improvement in monetary policy formulation and implementation process, and current issues (such as commodity operations of the government, circular debt, etc.) concerning monetary policy for deeper understanding. To further enhance the transparency and credibility of monetary policy formulation process, SBP announced in its recent MPS, issued on August 15, 2009, that an independent Monetary Policy Committee (MPC) is being constituted that will have external experts as members in addition to SBP representatives.

In terms of monetary policy reforms and strengthening of the monetary policy framework, segregation of debt and monetary management was the highlight of FY09. Specifically, since January 2009, the responsibility of deciding the cut off yields of the primary auctions of Treasury Bills (T-bills) and Pakistan Investment Bonds (PIBs) was shifted to the Ministry of Finance, while SBP's role was confined to manage only the operational aspect of the auctions. This measure clarifies to the market that changes in cut off rate are not reflective of monetary policy stance and allows SBP to focus on liquidity management consistent with its monetary policy stance. In addition to segregating debt and monetary management, since December 2008, the Ministry of Finance had started making prior announcement of the quarterly auction calendar for T-bills and PIBs along with targets of individual auctions. They also adopted a volume based approach to determine the auction result. Moreover, the government borrowing from SBP was capped through quarterly ceilings targets under the ongoing Stand-By Arrangement (SBA) with the IMF. These measures brought clarity to the market regarding government's borrowing needs and thus bode well for effective liquidity management by SBP. Recently, in August 2009, SBP has adopted a new framework for its monetary operations by introducing a corridor for the money market overnight repo rate. While the SBP policy rate will continue to serve as a 'ceiling', rate on the new overnight deposit facility, 300 bps below the SBP policy rate, will provide a binding 'floor'. The introduction of this framework is expected to improve liquidity management, enhance effectiveness of market signaling, and foster stability and transparency in the money market operations. It also bodes well for improving transmission of monetary policy signals, strengthening its role in fostering price stability.

Effective communication of monetary policy to the stakeholders and general public is crucial to achieve desired goals. For this purpose, to clarify the policy stance, SBP staff holds meetings with the financial sector analysts, write articles, and give interviews to the media. Further, SBP has started sending hard copies of MPS to major universities, financial institutions, and research outfits of the country.

### **1.8 Macro Modeling and Forecasting**

The effectiveness of monetary policy in modern day central banking is directly associated with the forward looking approach adopted in the policy formulation process. Continuous efforts have been made to enhance the forecasting capacity of SBP.

To have reliable forecasts, SBP has developed different modules that forecasts key macroeconomic indicators. Since expected path of inflation plays a critical role in the formulation of monetary policy, an inflation forecasting suite consisting of 14 structural and non-structural models has been prepared. Also, to predict the future path of exports, imports and worker remittances, structural and non-structural models on annual, quarterly, and monthly frequency have been designed. Forecast from these models are updated every month to analyze the inflation outlook and projections of external

sector. The later also helps in predicting the future path of monetary aggregates. Specifically, these forecasts are used in the Macroeconomic Framework based on Financial Programming Approach to do iterations to derive consistent forecasts for key macroeconomic variables. Using this framework, annual projections of key macroeconomic variables and medium-term projections/programs are being prepared. Annual projections are updated on monthly frequency, and reviewed by the SBP's internal MPC. This is an important input to form a more informed and forward looking policy decision. In addition, by applying IMF's Consultative Group on Exchange Rate (CGER) approaches, exchange rate misalignment is computed and submitted to MPC for review on quarterly basis.

To further strengthen the forward looking analysis of monetary policy formulation, SBP is in the process of developing a macroeconomic model that will produce behavioral forecasts of key economic variables while capturing the inter-sectoral and intra-sectoral linkages among the four main sectors – real, external, fiscal and monetary – of the economy. Moreover, a separate team is designing another macroeconomic model using an advanced technique termed as Dynamic Stochastic General Equilibrium (DSGE) modeling.

### **1.9 Strengthening of Research Functions**

Monetary Policy and Research Cluster (MPRC) is playing an important role not only in monetary policy formulation, but also in providing key inputs for broader economic and financial policy formulation through its economic reports, research work, analytical and financial reviews, and data compilation and dissemination. The MPR cluster consists of five departments, i.e., Research, Monetary Policy, Economic Analysis, Financial Stability, and Statistics and Data Warehouse. The MPR cluster continued its capacity building and skills enhancement during the year through trainings, exposure visits, induction of professionals, access to quality journals, research bulletins, and databases, etc.

#### **1.9.1 SBP Working Paper Series**

The SBP Working Paper Series was started in September 2001 with the objectives of strengthening capabilities of the State Bank of Pakistan in applied research, and stimulating specialized discussions on macroeconomic issues. The officers of the State Bank submit their research papers for the series that are reviewed intensively by two peer reviewers and also presented in a seminar before release. The Economic Adviser, State Bank of Pakistan is the Editor of the SBP Working Paper Series. The Applied Economic division of the Research Department assists the Editor in managing series. During the year FY09, five working papers were released at the website of the Bank.

#### **1.9.2 SBP Research Bulletin**

Research Department of SBP has established its mark as a major research institution that brings out a peer reviewed journal, SBP Research Bulletin, currently indexed in the Journal of Economic Literature of the American Economic Association. SBP Research Bulletin was first published during FY05 and by the end of FY09 seven issues have been published and are available on SBP website. Out of these, four cover the recent research work on important topics relating to Pakistan's economy while three are the proceedings of SBP international conferences covering the issues related to central banking. During FY09 one regular issue consisting of refereed articles and one special issue consisting of articles received for SBP conference<sup>1</sup> were published.

#### **1.9.3 SBP International Conferences and Seminars**

A conference on Inflation Targeting in Emerging Market Economies was planned during the year but due to some unavoidable reasons the proposed conference could not be held. However, a seminar was held on April 11, 2009 in which Professor Dr. Asad Zaman, an eminent economist with an

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<sup>1</sup>Although the SBP conference could not be held during the year due to some irrepressible circumstances, the submissions for the conference were published along with two critical reviews in the special issue of the SBP Research Bulletin.



international repute for his work in the field of theoretical econometrics, delivered a lecture on the market economy and its limits. The seminar was attended by a large number of audiences.

#### **1.9.4 Disseminating SBP Analysis in National Language**

The Translation Division of the Research Department continued to translate SBP reports in Urdu which were released simultaneously with original versions of the reports in English. During the year the following reports were translated:

Monetary Policy Statement, Jul-Dec 2008  
Interim Monetary Policy Measures, November 2008  
Monetary Policy Statement, Jan-Mar 2009  
Monetary Policy Statement, Apr-Jun 2009  
Annual Report Volume I & II, FY08  
Financial Stability Review 2007-08  
1<sup>st</sup> Quarterly Report FY09  
2<sup>nd</sup> Quarterly Report FY09  
3<sup>rd</sup> Quarterly Report FY09

#### **1.9.5 SBP Annual/Quarterly Reports**

According to the SBP Act, the central bank is required to submit to the Parliament an appraisal of the state of the Pakistan economy on a quarterly basis. Thus, the SBP produce three quarterly reports and an Annual report, which are publicly disseminated after submission to the Parliament. These reports have extensive coverage of the developments in the domestic economy, including the impact of global developments that have significant bearing on domestic economic performance. Further, these publications review effects of policy measures undertaken by the central bank and the government, and highlight challenges faced by the country. The documents also provide a tool to SBP to create a better understanding of cross-linkages of various policies and economic issues. The increased public awareness in turn leads to more effective policies.

#### **1.9.6 Inflation Monitor**

Since ensuring price stability is the key function of the central bank, SBP continuously observe and assess inflation trends. This function is formally translated into 'Inflation Monitor' which is a monthly publication being issued since March 2005. This document provides an extensive review of price developments both in domestic and global economy. Further, the report contains various statistical tables which are helpful in better understanding the emerging trends in domestic inflation.

#### **1.9.7 Inflation Snapshot**

Inflation Snapshot provides basic statistics on inflation released by FBS, and computed by SBP. This document is released on SBP Web site ([www.sbp.org.pk](http://www.sbp.org.pk)) with one day lag following the release of FBS data on prices. Different measures of core inflation are reported in this document. Inflation is also reported for various time frames: year-on-year, period averages (or year-to-date), annualized (12 month moving average) as well as month-over month basis.

#### **1.9.8 Publications from Statistics and Data Warehouse Department**

Timely availability of quality economic data is the pre-requisite for research and policy formulation. To keep stakeholders updated on latest developments in various segments of the economy, State Bank of Pakistan produces several reports and statistical publications. The Statistics and Data Warehouse Department compiles and publishes authenticated and reliable statistics on a wide range of economic variables for usage in various SBP reports and publications with different frequency (daily, weekly, monthly, biannual and annual). These publications are also placed at SBP website for easy access. The Statistics and Data Warehouse Department is a primary source of data on money and banking, Balance of Payments (BoP) statistics and International Investment of Pakistan (IIP). The department

also carries out analysis for assessing performance of financial and non-financial sectors through annual financial statements of individual company/institution. The analysis is published in annual publications.

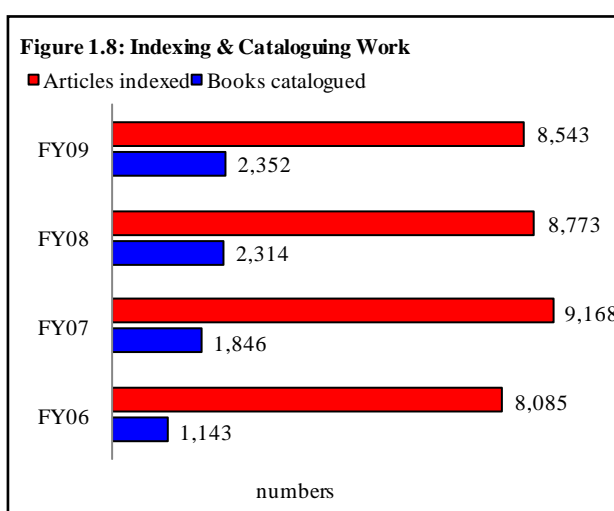
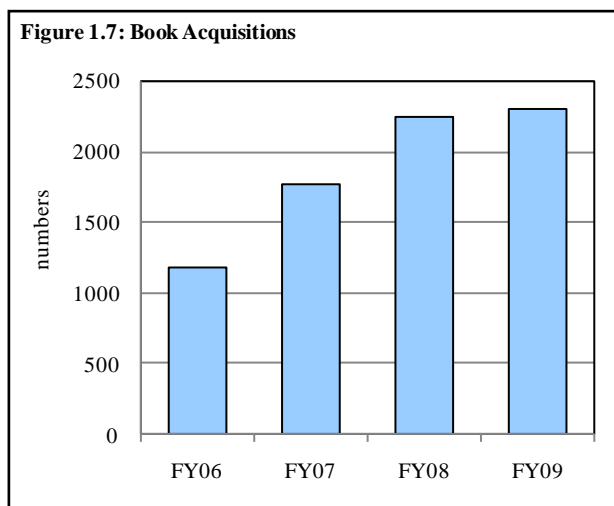
### 1.10 Library Services

The State Bank of Pakistan’s library caters to the information and research needs of the SBP, and banking and business community in Pakistan. Rated among the most referred libraries of the country, it serves over 5000 registered members representing SBP, commercial banks, public and private firms, insurance companies, brokerage houses, media, and numerous business schools.

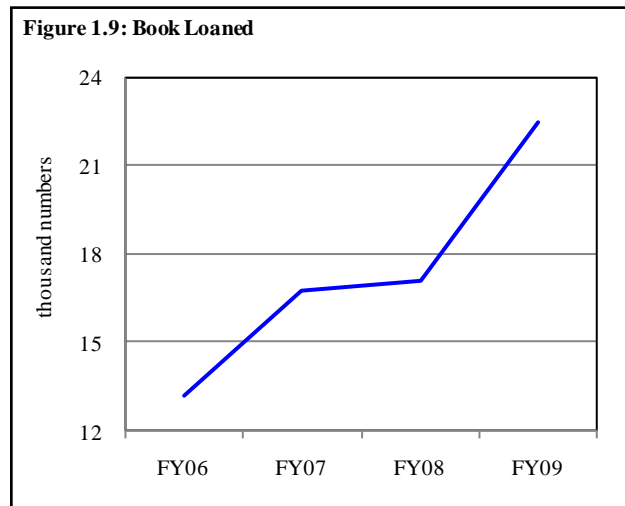
The strategic goal of the library for FY 2008-09 was: to improve support to research and scholarship by providing enhanced access to quality information resources, and first-class learning and research infrastructure. This goal became more viable with the administrative autonomy given to the library on August 28, 2008, when it was dissociated from Training & Development Department and placed in MPR cluster as an entity directly reporting to Economic Adviser. Some achievements of the library during FY 2008-09 are listed below:

**Collection Development.** To support continued and fresh research at SBP, collection development continued. E-collections comprising e-books, e-journals, and online statistical databases needs special mention. Access to Ebrary – an electronic book database containing over 41,800 full-text books and Chicago Journals covering 54 journals published by University of Chicago Press, were arranged freely through Higher Education Commission. Similarly, International Monetary Fund’s eLibrary and online statistical databases including Balance of Payment Statistics (BoP), Direction of Trade Statistics (DoT), Government Finance Statistics (GFS), and International Financial Statistics (IFS) were subscribed free. Taking advantage of reduced subscription rates of JSTOR journal archives for the developing countries, complete archives of JSTOR covering over 1000 journals under nine different categories were subscribed. The online journals of American Economic Association (AEA), Organization of Economic Cooperation and Development (OECD), and Western Economic Association (WEAI) were added to our digital collection. Islamic Finance Information Service – a portal of online information sources on Islamic banking and finance was subscribed to meet the growing research needs of Islamic banking community. In print collections, around 2,300 new books were added to the collection (see **Figure 1.7**) out of which 514 were arranged on complimentary basis. Twenty four new journals (including nine local and fifteen foreign journals) were added to the subscription list, whilst there is a long list of publications of various companies, central banks, commercial banks, and DFIs that were added to library collection during the review period free or on exchange basis.

**Bibliographic and Reference Services.** For promoting effective usage of library resources, posting of monthly bulletins of Fresh Arrivals and Content Alerts on SBP Web site and electronic board as

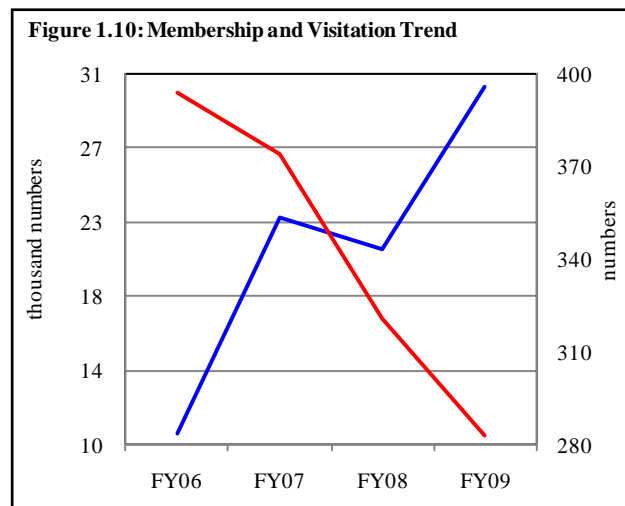


well as their bank-wide broadcast through email remained a regular feature of Library. All items acquired were properly catalogued / indexed and made available for browsing through library portal in real time (see **Figure 1.8**). Officials at the reference desk responded to countless reference queries and proactively provided personal assistance in literature search and library usage. Orientation tours for the new inductees, internees and occasional visitors were arranged throughout the year. Over 500 requisitions for articles were entertained through library's Online Document Delivery Service.



**Lending Services.** With the implementation of bar code technology, circulation operations became more efficient. Library lent 22,473 books to members as compared to previous year's 17,105 showing a 30 per cent increase in book lending (see **Figure 1.9**). Out of the total, 3084 books were loaned to outsiders. Members were kept posted with the renewal reminders / overdue notices on daily basis. Book reservation / hold services also remained available for members throughout the year. All out efforts were made to meet members' demand through inter-library loan with local libraries when not satisfied through own resources.

**Membership and Visitation** Library registered 283 new members during 2008-09 that included 115 SBP employees, 66 internees, and 102 outsiders (see **Figure 1.10**). Compared with the previous years, the rate of increase in membership fell down slightly. On the contrary, an increasing trend in library visitation was witnessed in 2008-09 during which 30,239 people visited the library compared with 21,044 in the previous year.



**Special Development Projects** Two development projects aimed at increasing access to library resources were undertaken and successfully completed during the review period. Those were:

**Application of Printed Spine Labels:** To improve stack-displays, printed labels were generated through the system and applied on the spines of all library holdings. The standard-sized printed labels were more durable and visible as compared to hand-written labels. Resultantly, it became much easier for library staff to maintain accurate shelf arrangement. Similarly, library users could browse the stacks with much more independence and comfort.

**Upgrading / Strengthening Library Information and Management System.** The design and functioning of the whole system was critically reviewed. After analysis, many flaws/bugs were reported to ISTD for rectification. A number of new forms, reports, and auto-notices were incorporated into the system that made it more resourceful and user-friendly.

Overall, the FY09 ended up successfully for the library in terms of its goals attainment laid down in the annual business plan. A comparative summary of library progress during the last four years is presented in **Table 1.5:**

Library is striving hard in serving its patrons in the best possible way. It would remain committed to development of an informed society through provision of quality information services to its patrons in the years to come.

**Table 1.5: Four Year Comparison of Library Services**

Operational areas		FY06	FY07	FY08	FY09
Procurement	Books Purchased	640	1,232	1875	1785
	Books Donated	540	541	367	514
Technical processing	Periodical issues	4,386	4,303	4516	5696
	Books catalogued	1,143	1,846	2314	2352
Circulation	Articles indexed	8,085	9,168	8773	8543
	SBP employees	10733	13765	14475	19219
(No. of books loaned)	Outsiders	2470	3012	2630	3254
Membership	SBP employees	109	155	140	115
	Outsiders	285	219	181	168
Visitation	SBP employees	5137	12242	10571	15010
	Outsiders	5401	10572	10473	15229
(No. of visitors recorded)					