



# **Monetary Policy Information Compendium**

**January 2011**

Consolidated by

**Monetary Policy Department**

**STATE BANK OF PAKISTAN**

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## Real Sector

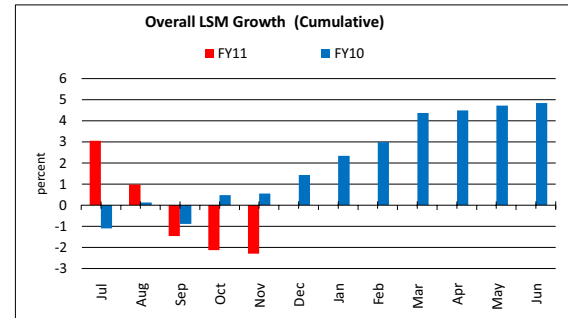
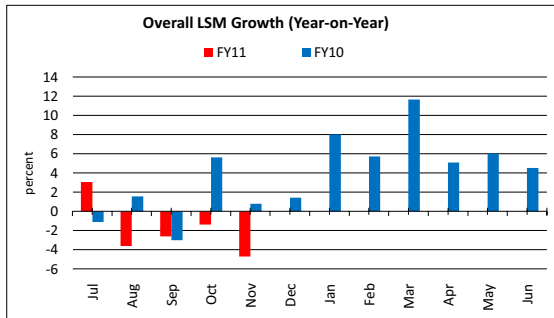
*The deceleration in LSM growth, started after the floods, has intensified during November 2010.*

### Growth in LSM sector

Groups	Weights	YoY changes		Cumulative change during July-November	
		Nov-10	Nov-09	FY11	FY10
<b>Overall</b>	<b>75.1</b>	<b>-4.7</b>	<b>0.8</b>	<b>-2.3</b>	<b>0.5</b>
Textile	26.4	↓ -7.3	↓ -1.1	↓ -7.5	↓ -1.1
Food, beverages & tobacco	14.4	↓ -4.1	↓ -10.1	↑ 1.3	↓ -1.9
Petroleum products	5.2	↑ 3.2	↑ 16.9	↓ -10.6	↓ -7.1
Pharmaceuticals	5.0	↓ -8.7	↑ 10.4	↓ -3.2	↑ 2.4
Non-metallic mineral products	4.2	↑ 3.1	↓ -1.2	↓ -11.3	↑ 13.9
Automobile	4.0	↓ -9.1	↓ -3.3	↑ 12.9	↑ 11.1
Metal industries	3.5	↑ 7.2	↑ 29.1	↓ -18.2	↓ -27.0
Fertilizer	3.4	↓ -14.8	↓ -16.6	↑ 3.0	↑ 1.0
Chemicals	2.9	↓ -4.1	↓ -4.1	↑ 2.3	↑ 1.8
Electronics	2.5	↓ -23.7	↓ -14.0	↓ -5.8	↓ -11.9
Leather products	2.3	↑ 8.8	↑ 30.0	↑ 28.0	↑ 24.5
Paper and board	0.6	↑ 16.7	↑ 4.7	↑ 2.3	↑ 7.4
Engineering industries	0.4	↓ -19.5	↓ -6.0	↑ 11.6	↓ -11.3
Rubber products	0.3	↓ -6.9	↑ 15.7	↓ -7.7	↑ 32.7
Wood and wood products	0.03	↑ 96.5	↓ -65.7	↓ -20.4	↓ -35.4

Note: Weights of LSM sectors are standardized to 100

Sources: Federal Bureau of Statistics (FBS)



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

### Performance of Major Crops

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

\* Cotton production is stated in million bales.

P: Highly provisional ; T: Target

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

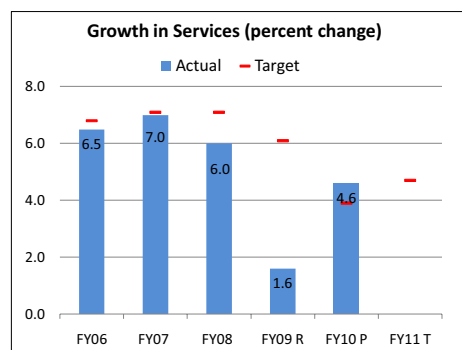
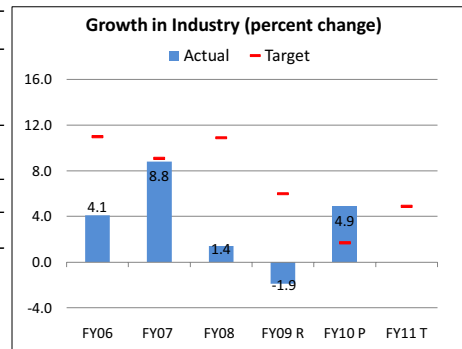
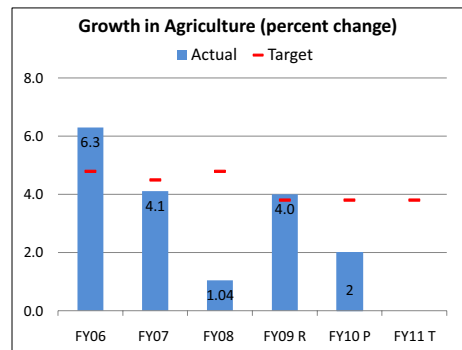
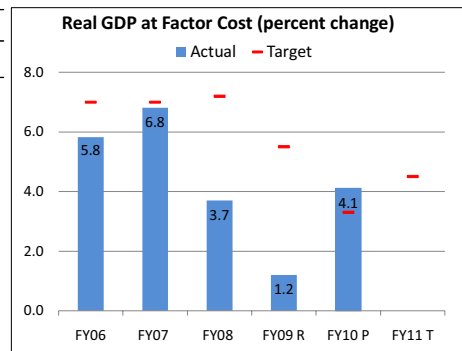
Note: Growth numbers may not tally due to separate rounding off of production data.



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

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

	FY09 (R)	FY10 (P)		
		Growth	Shares	Contribution
<b>Agriculture of which</b>	<b>4.0</b>	<b>2.0</b>	<b>21.5</b>	<b>0.4</b>
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
<b>Industry of which</b>	<b>-1.9</b>	<b>4.9</b>	<b>25.2</b>	<b>1.2</b>
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
<b>Services of which</b>	<b>1.6</b>	<b>4.6</b>	<b>53.3</b>	<b>2.4</b>
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
<b>Real GDP (fc)</b>	<b>1.2</b>	<b>4.1</b>	<b>100</b>	<b>4.1</b>
<b>Real GDP (mp)</b>	<b>3.6</b>	<b>4.4</b>	-	-
	<b>FY09</b>	<b>FY10<sup>P</sup></b>	<b>FY11<sup>T</sup></b>	
Real GDP (fc, billion Rs)	5,448	5,671	5,929	
Real GDP (fc, billion US\$)	69.3	67.7	-	



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

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

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

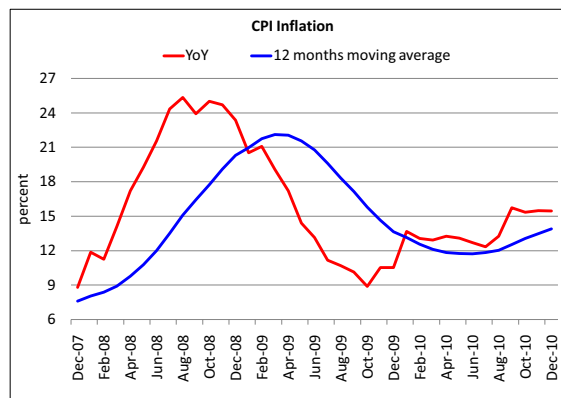


## Inflation

*The headline CPI inflation (YoY) has remained above 15 percent in the last few months.*

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

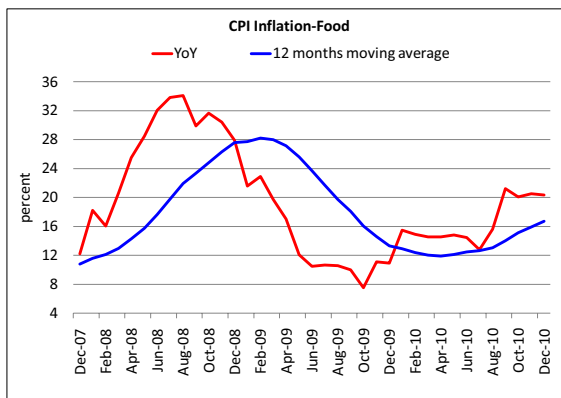
	MoM*	YoY#	12M moving average
Dec-09	-0.5	10.5	13.6
Jan-10	2.4	13.7	13.1
Feb-10	0.4	13.0	12.6
Mar-10	1.3	12.9	12.1
Apr-10	1.7	13.3	11.8
May-10	0.1	13.1	11.8
Jun-10	0.6	12.7	11.7
Jul-10	1.2	12.3	11.8
Aug-10	2.5	13.2	12.0
Sep-10	2.7	15.7	12.5
Oct-10	0.6	15.3	13.1
Nov-10	1.5	15.5	13.5
Dec-10	-0.5	15.5	13.9
<b>5-year Avg for December (excluding FY11)</b>	<b>0.0</b>	<b>12.0</b>	



*Food inflation is the major contributor to rise in headline inflation during recent months.*

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

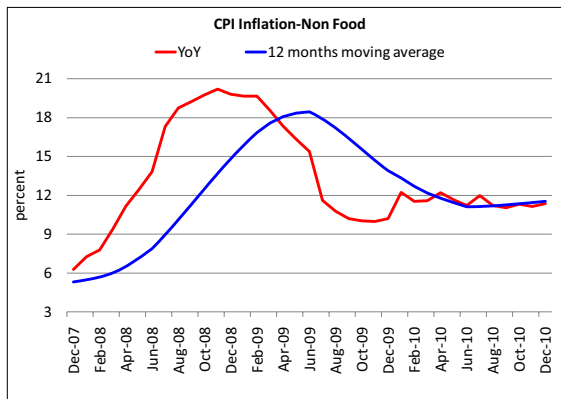
Dec-09	-1.7	10.9	13.3
Jan-10	2.0	15.5	12.9
Feb-10	0.1	14.9	12.4
Mar-10	1.8	14.5	12.1
Apr-10	2.0	14.5	11.9
May-10	0.0	14.8	12.1
Jun-10	0.7	14.5	12.5
Jul-10	1.5	12.8	12.6
Aug-10	5.1	15.6	13.1
Sep-10	5.3	21.2	14.0
Oct-10	0.1	20.1	15.1
Nov-10	2.2	20.5	15.9
Dec-10	-1.9	20.4	16.7
<b>5-year Avg for December (excluding FY11)</b>	<b>-0.7</b>	<b>14.4</b>	



*Non-food inflation (YoY), on the other hand, is hovering around 11 percent during H1-FY11.*

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

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
Sep-10	0.3	11.0	11.2
Oct-10	1.1	11.3	11.3
Nov-10	0.9	11.1	11.4
Dec-10	0.8	11.4	11.5
<b>5-year Avg for December (excluding FY11)</b>	<b>0.5</b>	<b>10.3</b>	



\* Month-on-Month

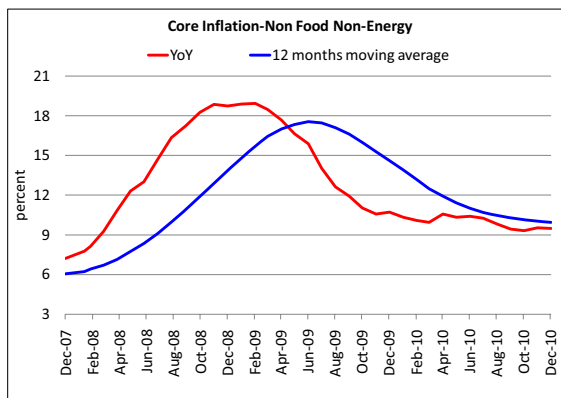
# Year-on-Year

Source: Federal Bureau of Statistics



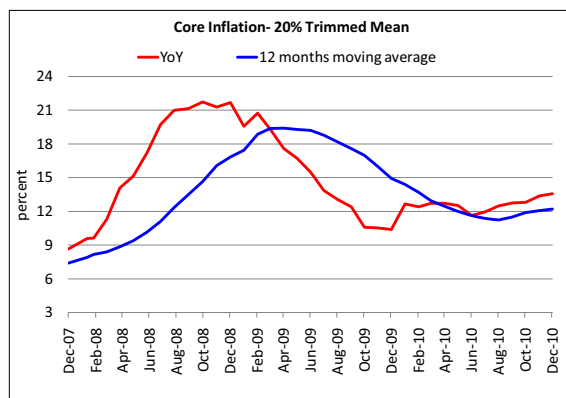
**Barring month of July, the non-food non-energy (NFNE) measure of core inflation (YoY) has remained below 10 percent during FY11.**

Core - Non-food non-energy (51% weight in basket) (percent change)			
	MoM	YoY	12M moving average
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
Sep-10	0.4	9.4	10.3
Oct-10	0.7	9.3	10.1
Nov-10	1.0	9.5	10.1
Dec-10	0.7	9.5	10.0
<b>5-year Avg for December (excluding FY11)</b>	<b>0.6</b>	<b>10.1</b>	



**The 20% trimmed mean measure of core inflation (YoY) maintained its rising trend during December 2010.**

Core - 20% Trimmed (percent change)			
	MoM	YoY	12M moving average
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
Sep-10	0.9	12.8	11.5
Oct-10	1.0	12.8	11.9
Nov-10	1.2	13.4	12.1
Dec-10	0.7	13.6	12.2
<b>5-year Avg for December (excluding FY11)</b>	<b>0.5</b>	<b>10.9</b>	



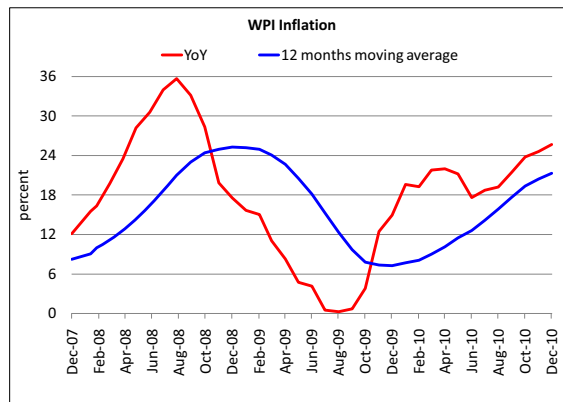
Source: Federal Bureau of Statistics



*The WPI inflation (YoY) accelerated during December 2010 that indicates the CPI inflation to rise further in the coming months.*

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

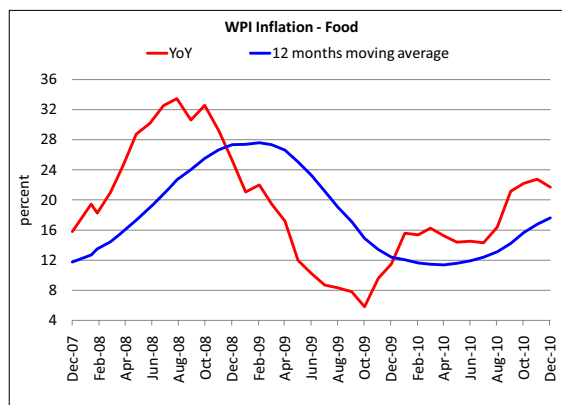
	MoM	YoY	12M moving average
Dec-09	0.2	15.0	7.3
Jan-10	4.2	19.6	7.7
Feb-10	0.4	19.3	8.1
Mar-10	2.5	21.8	9.0
Apr-10	1.8	22.0	10.1
May-10	0.9	21.2	11.5
Jun-10	-0.6	17.6	12.6
Jul-10	1.7	18.7	14.2
Aug-10	2.6	19.2	15.9
Sep-10	2.1	21.5	17.7
Oct-10	3.1	23.8	19.4
Nov-10	3.5	24.7	20.4
Dec-10	1.1	25.7	21.3
5-year Avg for December (excluding FY11)	-0.3	12.7	



*WPI food inflation (YoY) remains high, however, its pace has slowed down in December 2010.*

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

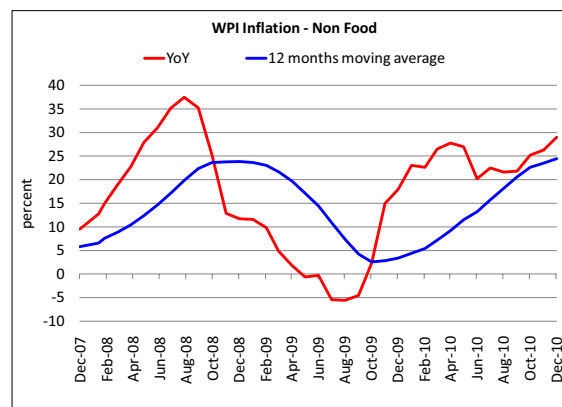
Dec-09	-0.7	11.5	12.4
Jan-10	2.7	15.6	12.0
Feb-10	0.5	15.4	11.6
Mar-10	1.7	16.3	11.4
Apr-10	0.7	15.2	11.4
May-10	0.1	14.4	11.6
Jun-10	1.2	14.5	11.9
Jul-10	1.9	14.3	12.4
Aug-10	4.2	16.4	13.1
Sep-10	4.5	21.1	14.2
Oct-10	1.8	22.2	15.6
Nov-10	2.3	22.7	16.8
Dec-10	-1.5	21.7	17.6
5-year Avg for December (excluding FY11)	-0.6	14.1	



*WPI non-food inflation (YoY) rose close to 30 percent, mainly contributed by rise in manufacturing and raw material prices.*

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

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
Sep-10	0.2	21.8	20.6
Oct-10	4.2	25.1	22.6
Nov-10	4.4	26.2	23.5
Dec-10	3.1	29.0	24.4
5-year Avg for December (excluding FY11)	-0.1	11.8	



Sources: Federal Bureau of Statistics



### CPI Inflation (YoY) by Groups

High inflation (YoY) is still being contributed largely by food group.

Groups	Weights	Dec-10			Nov-10		
		MoM	YoY	12m MA*	MoM	YoY	12m MA*
<b>I. Food Group</b>	<b>40.3</b>	<b>-1.9</b>	<b>20.4</b>	<b>16.7</b>	<b>2.2</b>	<b>20.5</b>	<b>15.9</b>
<b>II. Non-Food Group</b>	<b>59.7</b>	<b>0.8</b>	<b>11.4</b>	<b>11.5</b>	<b>0.9</b>	<b>11.1</b>	<b>11.4</b>
Apparel, Textile etc.	6.1	1.0	11.9	9.0	0.9	11.3	8.4
House Rent	23.4	0.6	6.7	9.5	0.5	6.9	10.1
Fuel and Lighting	7.3	1.8	22.5	19.3	0.8	21.1	18.0
Furniture etc.	3.3	0.8	10.0	7.5	1.1	9.7	7.1
Transport etc.	7.3	0.2	16.2	15.5	0.4	15.7	14.7
Recreation etc.	0.8	0.1	13.8	11.7	0.1	13.7	10.7
Education	3.5	0.0	5.2	8.6	0.3	6.0	9.2
Cleaning, Laundry etc.	5.9	0.9	11.4	10.2	2.3	11.3	10.2
Medicare	2.1	1.4	17.8	10.5	5.3	16.3	9.4
<b>Overall</b>	<b>100</b>	<b>-0.5</b>	<b>15.5</b>	<b>13.9</b>	<b>1.5</b>	<b>15.5</b>	<b>13.5</b>

Monthly SPI inflation (YoY) has consistently remained high in the past few months.

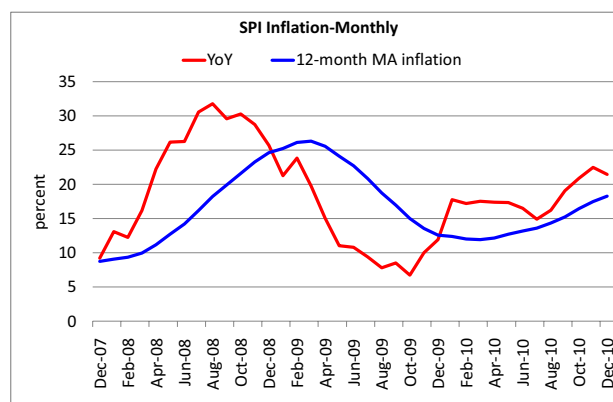
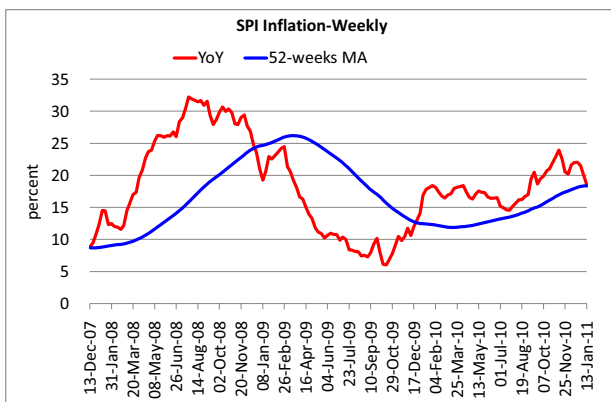
#### Sensitive Price Indicator (SPI) (percent change)

Income Groups	Percent change (WoW)				Dec-10		
	Current	Last week	Two weeks ago	Three weeks ago	MoM	YoY	12m MA*
	13-Jan-11	6-Jan-11	30-Dec-10	23-Dec-10			
<b>Up to Rs 3000</b>	-0.1	0.5	0.1	0.5	-0.6	21.7	18.1
<b>Rs 3001-5000</b>	-0.1	0.6	0.0	0.5	-0.7	21.5	18.0
<b>Rs 5001-12000</b>	-0.1	0.6	0.0	0.5	-0.6	21.5	18.0
<b>Above Rs 12000</b>	-0.8	1.4	0.0	0.4	-0.3	21.1	18.5
<b>All</b>	<b>-0.5</b>	<b>1.0</b>	<b>-0.1</b>	<b>0.5</b>	<b>-0.5</b>	<b>21.5</b>	<b>18.3</b>

Sources: Federal Bureau of Statistics

WoW: Week on Week

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







**Balance of Payments**

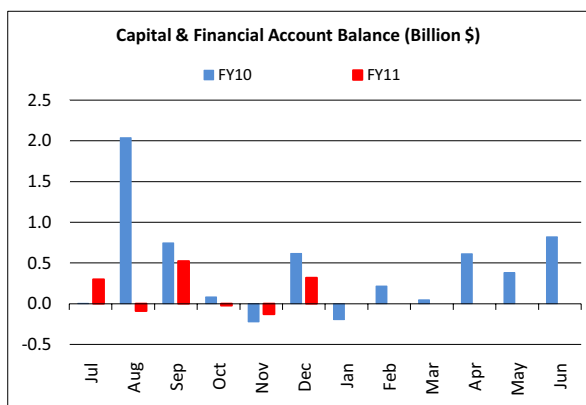
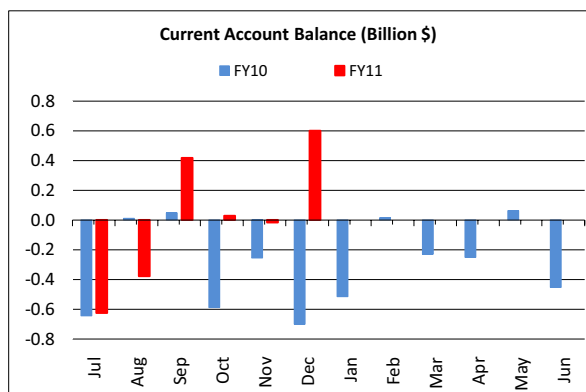
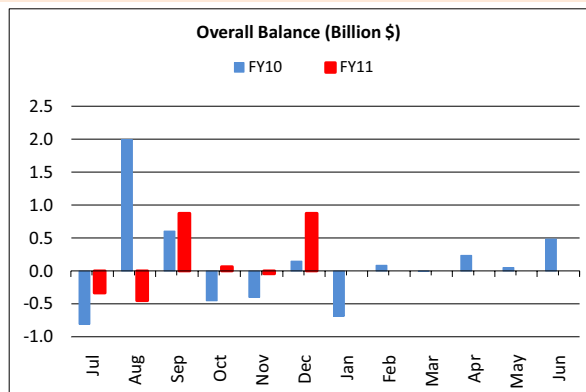
*Robust growth in exports and steady inflows of remittances, supported by receipts under CSF, led to a surplus in both the external current account and overall balance during H1-FY11.*

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

Items	Dec-10	Jul-Dec		FY10
		FY11	FY10	
<b>A) Current account</b>	<b>601</b>	<b>26</b>	<b>-2,570</b>	<b>-3,946</b>
1. Trade balance	-997	-5,585	-5,860	-11,536
Exports	2,094	11,125	9,316	19,673
Imports	3,091	16,710	15,176	31,209
2. Services (net)	543	-495	-1,526	-1,690
Receipts	1,199	3,112	1,951	5,229
Payments	656	3,607	3,477	6,919
3. Income (net)	-203	-1,486	-1,592	-3,282
Receipts	56	361	241	561
Payments	259	1,847	1,833	3,843
4. Current transfers (net)	1,258	7,592	6,408	12,562
Receipts: of which	1,264	7,622	6,461	12,672
Remittances	863	5,291	4,530	8,906
Payments	6	30	53	110
<b>B) Capital and financial account: of which</b>	<b>316</b>	<b>887</b>	<b>3,041</b>	<b>5,274</b>
1. Foreign investment	293	1,024	1,177	2,010
FDI (net)	247	805	915	2,075
FPI	46	219	262	-65
2. Foreign long term loans	-104	-8	1,644	2,210
Disbursements	70	1,046	2,506	4,085
Amortization	174	1,054	862	1,875
<b>C) Errors &amp; omissions</b>	<b>-43</b>	<b>66</b>	<b>621</b>	<b>-62</b>
<b>Overall balance (A+B+C)</b>	<b>874</b>	<b>979</b>	<b>1,092</b>	<b>1,266</b>
<b>SBP gross reserves<sup>1</sup></b>	<b>15,041</b>	<b>15,041</b>	<b>12,863</b>	<b>13,953</b>

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

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



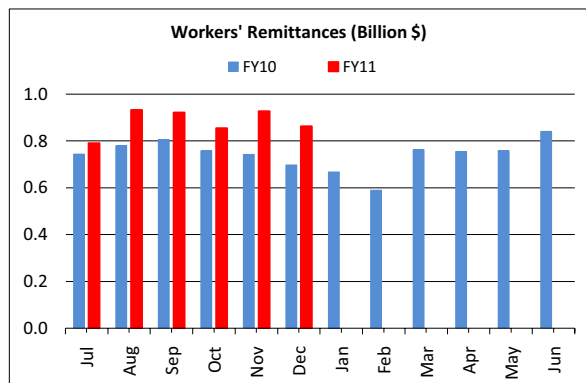
*Remittances continue to show robust growth during H1-FY11.*

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

Total: of which	Dec-10	Jul-Dec		FY10
		FY11	FY10	
<b>Total: of which</b>	<b>863</b>	<b>5,291</b>	<b>4,529</b>	<b>8,906</b>
USA	156	998	938	1,771
UK	81	577	483	876
Saudi Arabia	208	1,144	846	1,918
UAE	210	1,256	1,022	2,039
GCC <sup>3</sup>	96	626	642	1,238
Others	111	691	598	1,064

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

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



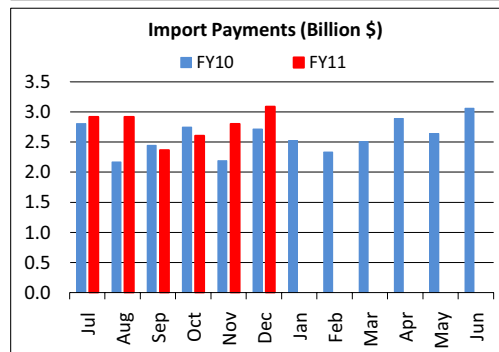
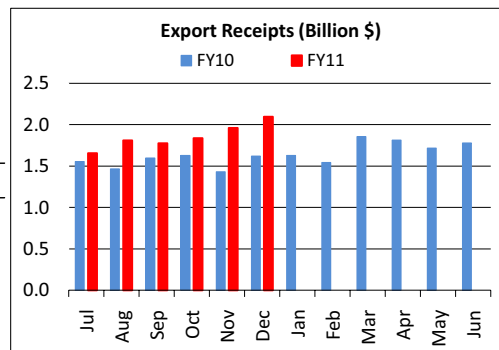
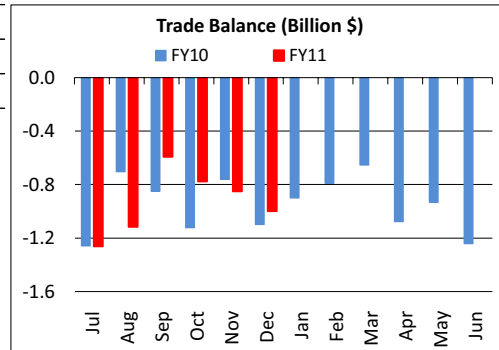


**Trade**

*Trade deficit widened during December 2010 as higher import payments outweighed increase in export receipts.*

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

	Dec-10	Jul-Dec		Shares <sup>1</sup>
		FY11	FY10	FY10
<b>Exports</b>	<b>2,094</b>	<b>11,125</b>	<b>9,316</b>	<b>100</b>
<b>Textile group</b>	<b>1,089</b>	<b>5,902</b>	<b>5,009</b>	<b>53</b>
Cotton cloth	207	1,094	924	10
Knitwear, bedwear	387	2,258	1,838	20
Readymade garments	85	499	495	4
<b>Other manufactures group</b>	<b>345</b>	<b>1,955</b>	<b>1,657</b>	<b>18</b>
Leather items <sup>2</sup>	70	429	341	4
Chemical and pharma	105	479	361	4
Cement	38	239	263	2
Engineering goods	32	212	147	2
<b>Food group</b>	<b>305</b>	<b>1,580</b>	<b>1,426</b>	<b>14</b>
Rice	192	1,004	862	9
<b>All Others</b>	<b>356</b>	<b>1,689</b>	<b>1,223</b>	<b>15</b>
<b>Imports</b>	<b>3,091</b>	<b>16,709</b>	<b>15,176</b>	<b>100</b>
<b>Petroleum group</b>	<b>965</b>	<b>5,299</b>	<b>5,122</b>	<b>32</b>
Petroleum products	582	3,777	3,235	23
Petroleum crude	383	1,522	1,888	9
<b>Machinery group</b>	<b>361</b>	<b>2,046</b>	<b>2,008</b>	<b>12</b>
Power machinery	43	412	462	2
Electrical machinery	43	262	293	2
<b>Agri. &amp; other chemicals group</b>	<b>449</b>	<b>2,632</b>	<b>2,764</b>	<b>16</b>
Fertilizer manufactured	3	287	634	2
Plastic materials	122	643	520	4
<b>Food group</b>	<b>493</b>	<b>2,520</b>	<b>1,369</b>	<b>15</b>
Palm oil	145	901	592	5
Sugar	108	571	130	3
<b>Metal group</b>	<b>150</b>	<b>1,064</b>	<b>949</b>	<b>6</b>
Iron steel (IS) & IS scrap	110	831	754	5
<b>All Others</b>	<b>674</b>	<b>3,148</b>	<b>2,963</b>	<b>19</b>

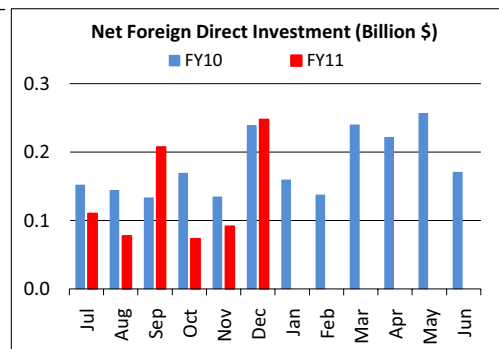


<sup>1</sup> Share=group(item)/total, based on FY10 value; <sup>2</sup> Include tanned and manufactured leather

*FDI inflows during FY11 remain subdued as compared to last year.*

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

	Dec-10	Jul-Dec		FY10
		FY11	FY10	
<b>Total: Of which</b>	<b>256</b>	<b>828</b>	<b>969</b>	<b>2,151</b>
<b>Major countries</b>				
USA	60	151	204	468
UAE	44	146	90	243
UK	27	122	106	295
Netherlands	-17	-9	165	279
<b>Major sectors</b>				
Communication	30	90	84	291
Financial service	83	106	84	163
Oil & gas exploration	99	269	255	741
Power	-2	50	78	-121
Trade	11	25	41	117



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

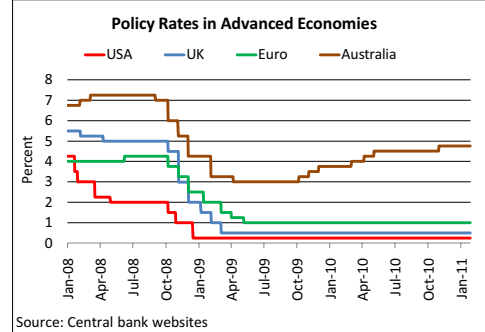


**Global Economy**

*The central banks from both developed and emerging economies have raised their policy rates to counter strengthening of inflationary pressures in recent months.*

**Policy Rates in Major Economies**

Major Economies	Current Policy Rate	Previous	Changed On	Change (bps)
USA*	0.25	1.00	Dec 16 2008	↓ -75
UK	0.50	1.00	Mar 05 2009	↓ -50
ECB	1.00	1.25	May 07 2009	↓ -25
Japan*	0.10	0.30	Dec 20 2008	↓ -20
Canada	1.00	0.75	Sep 08 2010	↑ 25
Australia	4.75	4.50	Nov 02 2010	↑ 25
China	5.81	5.56	Dec 27 2010	↑ 25
India	6.50	6.25	Jan 25 2011	↑ 25
South Korea	2.75	2.50	Dec 13 2010	↑ 25
Malaysia	2.75	2.50	Jul 08 2010	↑ 25
Indonesia	6.50	6.75	Aug 05 2009	↓ -25
Thailand	2.25	2.00	Dec 12 2010	↑ 25

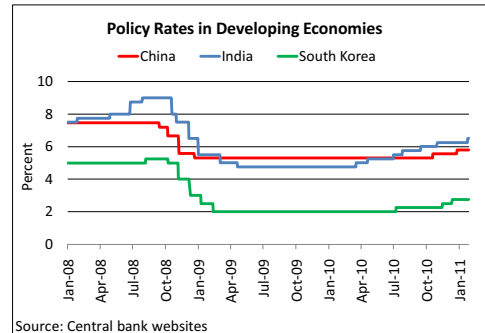


Source: Central bank websites

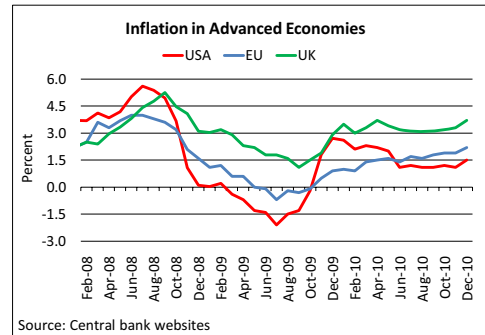
*GDP grew moderately in most of the countries during third quarter of 2010.*

**Key Macroeconomic Indicators**

	Inflation (YoY) <sup>1</sup>	GDP growth <sup>2</sup>	Current account balance	Fiscal balance
	Dec-10		as a percentage of GDP	
USA	1.5	3.1 (Q3-10)	-3.1 (Q3-10)	-8.8 (Q3-10)
UK	3.7	1.7 (Q4-10)	-1.9 (Q3-10)	-8.7 (Q3-10)
Euro Area	2.2	1.9 (Q3-10)	-0.6 (Q3-10)	-5.2 (Q2-10)
Japan	0.0	4.4 (Q3-10)	3.5 (Q3-10)	-7.4 (Q2-10)
Australia	2.7 (Q4-10)	2.7 (Q3-10)	-2.3 (Q3-10)	-
China	4.6	9.8 (Q4-10)	4.3 (Q3-10)	4.3 (Q2-10)
India	8.3 (Nov-10)	8.9 (Q3-10)	-3.7 (Q2-10)	-5.3 (Q3-10)
Sri Lanka	6.9	8.0 (Q3-10)	-	-
South Korea	3.5	4.8 (Q4-10)	4.1 (Q3-10)	2.8 (Q2-10)
Malaysia	2.2	5.3 (Q3-10)	12.6 (Q3-10)	-
Indonesia	7.0	5.8 (Q3-10)	1.3 (Q3-10)	-
Thailand	3.0	6.7 (Q3-10)	0.1 (Q3-10)	-1.0 (Q3-10)



Source: Central bank websites

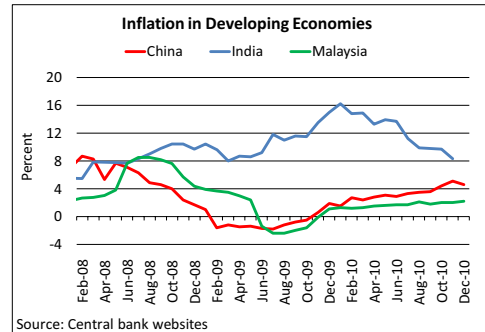


Source: Central bank websites

*Global economic growth is likely to moderate in 2011.*

**World Economic Outlook - Real GDP Growth**

	2010 (IMF Estimated)	2011 Projections		
		IMF (Jan-11)	World Bank (Jun-10)	OECD (Nov-10)
<b>World output</b>	<b>5.0</b>	<b>4.4</b>	<b>3.3</b>	-
<b>Advance</b>	<b>3.0</b>	<b>2.5</b>	<b>2.4</b>	-
US	2.8	3.0	2.7	2.2
Euro area	1.8	1.5	1.4	1.7
Japan	4.3	1.6	2.0	1.7
UK	1.7	2.0	2.1	1.7
<b>Emerging &amp; Developing</b>	<b>7.1</b>	<b>6.5</b>	<b>6.0</b>	-
Russia	3.7	4.5	4.2	4.2
China	10.3	9.6	8.7	9.7
India	9.7	8.4	8.4	8.2
ASEAN-5	6.7	5.5	-	-



Source: Central bank websites

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



*International commodity prices have been consistently rising since July 2010.*

### World Commodity Price Indices (2005=100)

	Dec-10	% change since			
		Last month		End Jun-10	
Global CPI	170.3	↑	5.85	↑	22.41
Food CPI	178.4	↑	6.33	↑	27.50
Commodity non-fuel CPI	176.8	↑	4.92	↑	28.31
Metal CPI	193.7	↑	3.97	↑	28.14
Crude oil (\$/bbl)	90.1	↑	6.55	↑	20.57
Palm oil (\$/m. ton)	1171.2	↑	10.60	↑	53.12
Soya bean Oil (\$/m. ton)	1208.4	↑	7.58	↑	47.19
Wheat (\$/m. ton)	307.0	↑	11.89	↑	94.70
Gold spot (\$/Oz)	1393.1	↑	2.51	↑	14.37
Sugar (US cents/pound)	38.4	↓	-0.83	↑	33.50

Source: IMF-IFS

*Most of the international capital markets have shown considerable improvement during the past few weeks.*

### Capital Market Indices

	Latest - Jan 27, 2011	% change since			
		Last month		End Jun-10	
US (DJIA)	11989.8	↑	3.6	↑	22.7
DJ EURO STOXX	2989.8	↑	3.1	↑	16.2
UK (FTSE 100)	5965.1	↑	1.1	↑	21.3
Japan (Nikkei 225)	10478.7	↑	2.4	↑	11.7
China (SSEA)	2752.8	↓	-2.0	↑	7.4
France (CAC 40)	4059.6	↑	6.7	↑	17.9
Germany (DAX)	7155.6	↑	3.5	↑	19.9
India (BSE)	18684.4	↓	-8.9	↑	8.0
World dev'd (MSCI) <sup>3</sup>	1318.3	↑	3.4	↑	35.5
Emerging markets (MSCI) <sup>3</sup>	1142.5	↑	1.5	↑	47.8
World all (MSCI) <sup>3</sup>	338.8	↑	3.1	↑	37.0

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

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

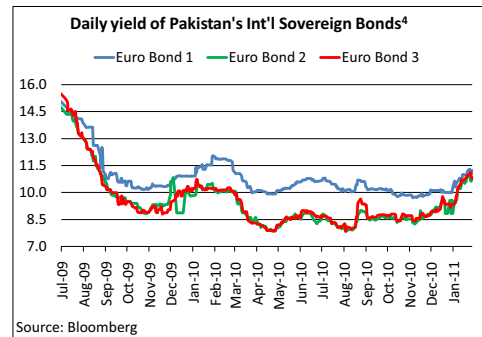
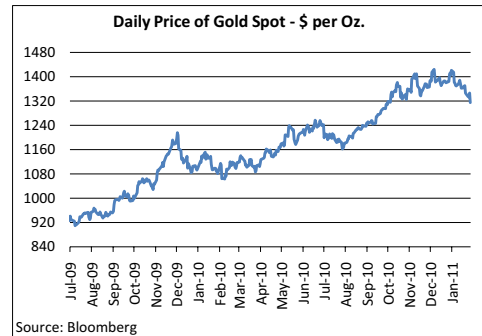
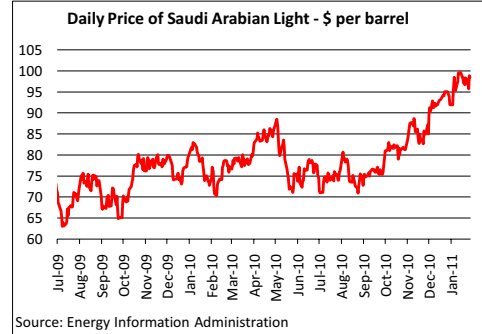
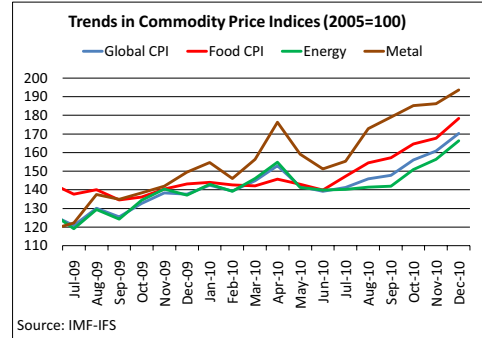
<sup>3</sup> January 26, 2011

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

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

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

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





## Revenues, Expenditures and Fiscal Balances

Q1-FY11 data of total revenues suggest that target for revenue generation in FY11 may not be achieved.

### Revenues (billion Rs)

	FY11		FY10
	BE <sup>1</sup>	(Jul-Sep)	
<b>Total revenues</b>	<b>2,574</b>	<b>407</b>	<b>2078</b>
Tax revenue	-	324	1473
Growth (YoY) %	-	8.3	10.7
of which: FBR revenues*	1,667	294	1327
Non-tax revenues	-	83	605
Growth (YoY) %	-	-39.5	16.4

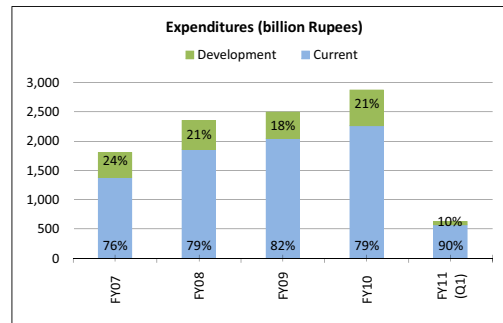
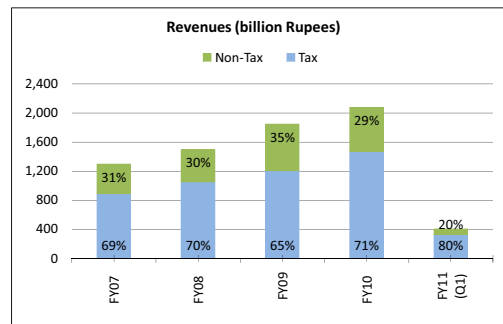
\* The total FBR tax revenues during July-June FY10 are Rs1327 billion.

### Expenditures (billion Rs)

	FY11		FY10
	BE <sup>1</sup>	(Jul-Sep)	
<b>Total expenditures</b>	<b>3,258</b>	<b>683</b>	<b>3007</b>
Current <sup>2</sup>	-	620	2354
Growth (YoY) %	-	19.1	13.4
Interest payments	-	162	642
Defence	-	93	375
Development & net lending	-	63	653
Growth (YoY) %	-	-45.8	43.2

### Overall Balance (billion Rs)

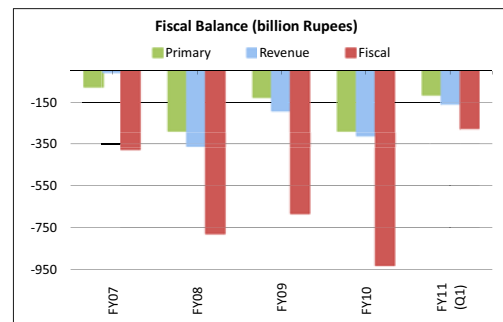
	FY11		FY10
	BE <sup>1</sup>	(Jul-Sep)	
<b>Fiscal Balance<sup>3</sup></b>	<b>-685</b>	<b>-276</b>	<b>-929</b>
Revenue Balance <sup>4</sup>	-	-214	-276
Primary Balance <sup>5</sup>	-	-115	-287



As a result, government's reliance on domestic sources of financing has increased during Q1-FY11.

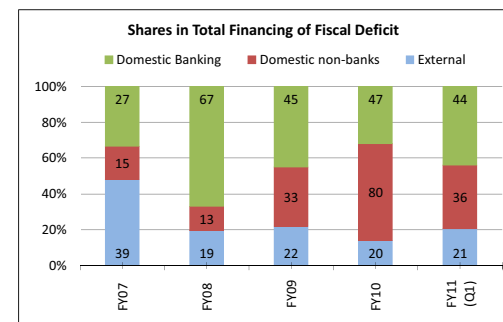
### Financing of Fiscal Deficit (billion Rs)

	FY11		FY10
	BE <sup>1</sup>	(Jul-Sep)	
<b>Financing</b>	<b>685</b>	<b>276</b>	<b>929</b>
1. External	186	57	189
2. Domestic: of which	499	219	740
Non-bank	333	98	436
Banking system: of which	166	121	305
Schedule Banks	166	3	263
SBP	0	118	42
Privatization proceeds	-	-	-



### FBR Tax Collection (billion Rs)

	Direct	Sales	Customs	FED <sup>6</sup>	Total taxes
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	52	12	10	100
Sep-10	52	41	14	9	116
Oct-10	34	47	12	10	104
Nov-10	33	46	13	11	103
Dec-10	78	55	17	10	160
<b>Jul-Dec FY11<sup>7</sup></b>	<b>241</b>	<b>282</b>	<b>80</b>	<b>58</b>	<b>661</b>
Jul-Dec FY10	211	243	71	57	582



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

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



## Government Domestic Debt

**Domestic debt continues to accumulate due to rising fiscal deficit and government's increased reliance on domestic sources of financing.**

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

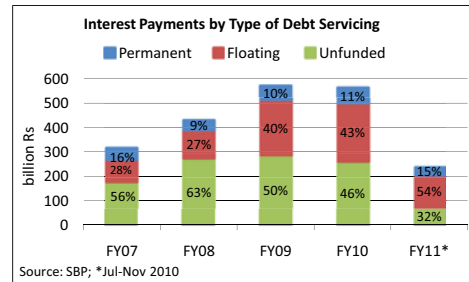
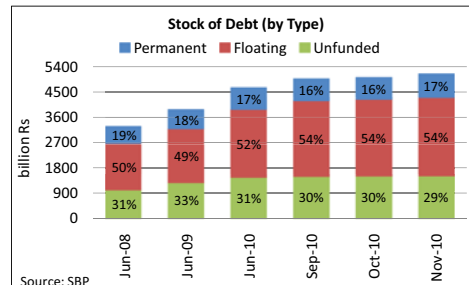
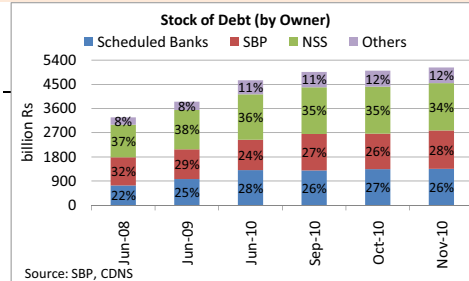
	Nov-10	FY10	Jul-Nov FY11
<b>Bank</b>	<b>2,777.8</b>	<b>2,439.9</b>	<b>337.9</b>
Commercial banks	1,354.1	1,311.8	42.3
SBP	1,423.7	1,128.1	295.6
<b>Non-bank</b>	<b>2,351.5</b>	<b>2,209.7</b>	<b>141.8</b>
National Saving Schemes (NSS)	1,760.1	1,692.2	68.0
Others	591.4	517.5	73.8
Foreign Currency Instruments <sup>1</sup>	1.8	3.1	-1.3
<b>Total</b>	<b>5,131.1</b>	<b>4,652.7</b>	<b>478.4</b>

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

	Nov-10	FY10	Jul-Nov FY11
<b>Long term</b>	<b>2,366.6</b>	<b>2,250.5</b>	<b>116.1</b>
Permanent: of which	854.3	794.3	60.0
PIBs	508.1	505.3	2.8
Prize bonds	247.9	236.0	11.9
Unfunded: of which	1,512.3	1,456.2	56.1
NSS <sup>2</sup>	1,248.2	1,345.9	-97.6
Short term (floating): of which	2,762.8	2,399.1	363.6
MTBs	1,342.2	1,227.4	114.8
MRTBs-replenishment	1,420.6	1,124.9	295.6
Foreign Currency Instruments	1.8	3.1	-1.3
<b>Total</b>	<b>5,131.1</b>	<b>4,652.7</b>	<b>478.4</b>

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

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



**Increase in debt servicing during July-November 2010 was primarily a result of interest payments on short-term floating debt (particularly 3-month MTBs).**

### Debt Servicing (billion Rs)

	Nov-10	Jul-Nov			FY10
		FY11	FY10	% change	
Permanent <sup>3</sup>	6.8	34.9	33.4	4.7	80.6
Unfunded	14.8	75.6	119.1	-36.5	259.7
Floating	26.8	127.9	72.6	76.2	241.1
<b>Total</b>	<b>48.4</b>	<b>238.4</b>	<b>225.0</b>	<b>6.0</b>	<b>581.4</b>

### Indicators of Domestic Debt Sustainability

Debt Stock as % of GDP	FY07	FY08	FY09	FY10 <sup>4</sup>	FY11 <sup>5</sup>
		30.1	32.0	30.3	31.7

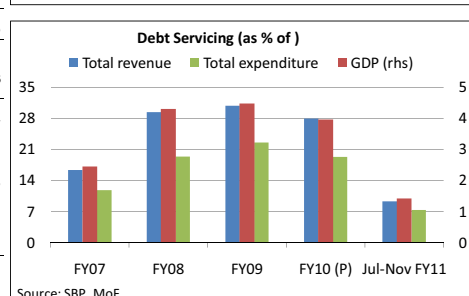
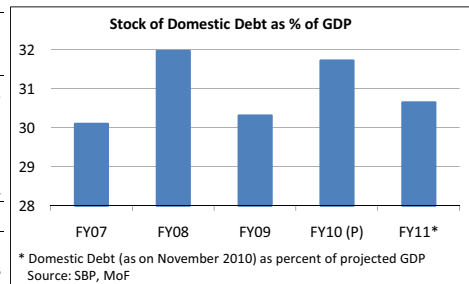
Debt Servicing as % of	FY07	FY08	FY09	FY10	FY11 <sup>6</sup>
	GDP	2.4	4.3	4.5	4.0
Total revenue	16.3	29.4	30.8	28.0	9.3
Tax revenue	23.8	41.9	47.3	39.5	12.8
Total expenditure	11.8	19.3	22.5	19.3	7.3
Current expenditure	15.4	23.8	27.9	24.4	9.5

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

<sup>5</sup> Debt stock (as on November 2010) as percent of projected GDP for FY11.

<sup>6</sup> Debt Servicing during Jul-Nov FY11 as percent of projected GDP, revenue and expenditure

Sources: Central Directorate of National Savings (CDNS), SBP and Ministry of Finance (MoF) <sup>7</sup>: Provisional figures





## External Debt

External debt rose by almost \$3 billion during the first quarter of FY11.

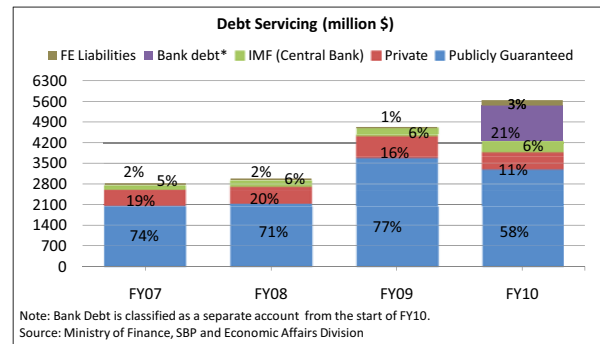
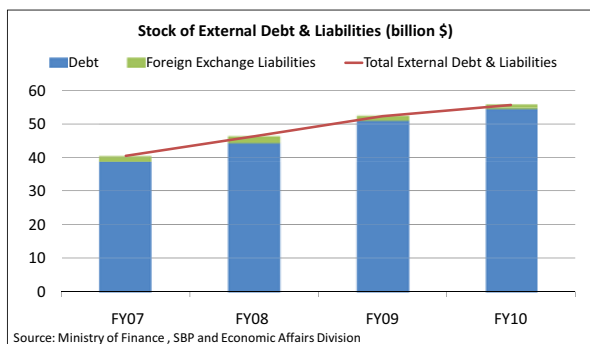
Debt & Liabilities - end period stocks (million \$)				Debt Servicing (million \$)		
Items	Sep-10 <sup>1</sup>	FY10 <sup>1</sup>	Change	Items	FY10 <sup>1</sup>	FY11 (Jul-Sep)
1. Public debt (a+b+c)	54,794	52,107	2,687	1. Public debt (a+b+c)	3,672	690
a) Government Debt	44,786	42,908	1,878	a) Government debt	3,134	573
i) Medium and long term (>1 yr)	43,906	42,115	1,791	Principal	2,403	410
Paris club	14,843	13,958	885	Interest	731	163
Multilateral	24,694	23,694	1,000	b) From IMF	359	92
Other bilateral	1,780	1,782	-2	Principal	240	52
Euro/Sukuk global bonds	1,550	1,550	0	Interest	120	40
Military debt	167	167	0	c) Foreign exchange liabilities	178	26
Commercial loans/credits	0	0	0	Principal	152	22
Local currency bonds (TBs & PIBs)	72	64	8	Interest	27	4
Saudi fund for development. (SFD)	200	200	0	2. PSEs guaranteed debt	157	37
SAFE China deposits	500	500	0	Principal	123	29
NBP/BOC deposits	100	200	-100	Interest	34	8
ii) Short term (<1 yr)	880	793	87	3. PSEs non-guaranteed debt	151	34
IDB	880	793	87	Principal	130	30
b) From IMF	8,908	8,077	831	Interest	21	4
i) Federal government	1,572	1,055	517	4. Scheduled banks' borrowing	1,204	830
ii) Central bank	7,336	7,022	314	Principal	1,196	829
c) Foreign exchange liabilities (FEL)	1,100	1,122	-22	Interest	8	1
2. PSE guaranteed debt	151	159	-8	5. Private guaranteed debt	50	1
3. PSE non-guaranteed debt	787	812	-25	6. Private non-guaranteed debt	383	78
4. Scheduled banks' borrowing	246	193	53	Principal	325	64
i) Medium and long term (>1 yr)	112	118	-6	Interest	58	14
ii) Short term (<1 year)	134	75	59	7. Private non-guaranteed bonds	23	0
5. Private guaranteed debt	0	0	0	Principal	13	0
6. Pvt. non-guaranteed debt (>1 yr)	2,310	2,231	79	Interest	10	0
7. Private non-guaranteed bonds	124	124	0	<b>Total external debt servicing</b>		
<b>Total external debt (excl. FEL)</b>	<b>57,312</b>	<b>54,504</b>	<b>2,808</b>	<b>(1+2+3+4+5+6+7)</b>	<b>5,641</b>	<b>1,669</b>
<b>Total external debt &amp; liabilities</b>				Principal	4,632	1,436
<b>(1+2+3+4+5+6+7)</b>	<b>58,412</b>	<b>55,626</b>	<b>2,786</b>	Interest	1,009	233

<sup>1</sup>Provisional

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

### Indicators of External Debt Sustainability

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



Sources: Economic Affairs Division and SBP



## Total Debt

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

Total Debt Stock (billion Rs)

	Sep-10	FY10	Change (FY10 over FY09)	Share
<b>Total debt &amp; liabilities (I+II)</b>	<b>10,745.3</b>	<b>10,196.4</b>	<b>1,449.8</b>	<b>100.0</b>
Total debt	10,263.2	9,685.9	1,379.2	95.5
Domestic debt	5,318.0	5,027.6	876.6	49.5
Government domestic debt	4,958.9	4,652.7	791.7	46.1
PSEs domestic debt	359.1	374.9	84.9	3.3
External debt <sup>1</sup>	4,945.2	4,658.3	502.6	46.0
Government external debt	3,864.4	3,667.2	215.4	36.0
Debt from IMF	768.6	690.3	271.3	7.2
PSEs external debt	80.9	83.0	-4.3	0.8
Private sector external debt	231.2	217.8	20.2	2.2
Total liabilities	482.1	510.5	70.6	4.5
Domestic liabilities <sup>2</sup>	387.1	414.6	78.4	3.6
External liabilities <sup>1</sup>	94.9	95.9	-7.8	0.9

Total Debt Servicing (billion Rs)

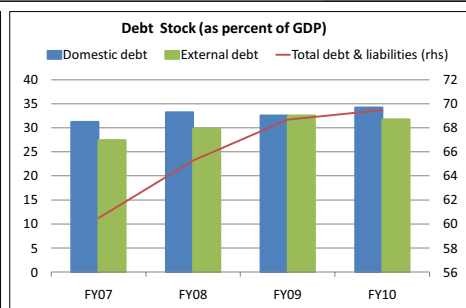
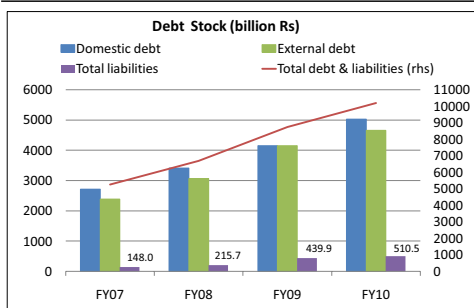
	July-Sep FY11	FY10	Change (FY10 over FY09)
<b>Total debt servicing</b>	<b>288.9</b>	<b>1044.9</b>	<b>97.9</b>
Total interest payment	167.7	668.6	-0.8
Domestic	147.7	575.2	5.0
Foreign <sup>3</sup>	19.7	82.2	-7.2
External liabilities <sup>3</sup>	0.3	2.3	0.6
Domestic liabilities	Not Available	8.9	0.8
Repayment of principal (foreign) <sup>3</sup>	121.2	376.3	98.7

Debt stock (as percent of GDP<sup>4</sup>)

	FY07	FY08	FY09	FY10
<b>Total debt &amp; liabilities</b>	<b>60.5</b>	<b>65.3</b>	<b>68.7</b>	<b>69.5</b>
Total debt	58.8	63.2	65.2	66.0
Government domestic debt	30.1	32.0	30.3	31.7
PSEs domestic debt	1.2	1.3	2.3	2.6
External debt	27.5	29.9	32.6	31.8
Total liabilities	1.7	2.1	3.5	3.5

Debt servicing (as a percent of)

	FY07	FY08	FY09	FY10
Tax revenue	60.5	64.7	68.4	70.9
Total revenue	41.5	45.3	49.1	50.3
Total expenditure	32.1	29.9	38.6	34.7
Current expenditure	39.2	36.6	45.4	43.8
GDP <sup>4</sup>	6.2	6.6	7.4	7.1



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

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



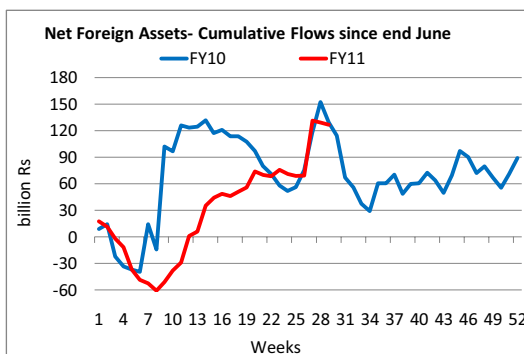
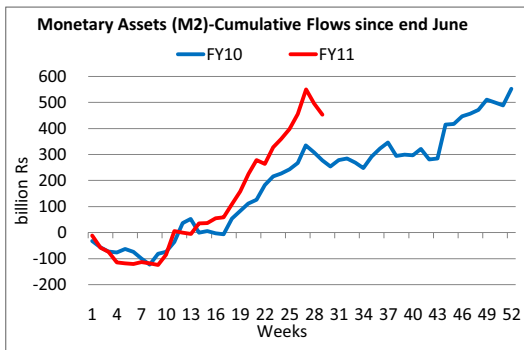


## Monetary and Credit Aggregates\*

Accumulation in both NFA and NDA of the banking system contributed towards expansion in broad money (M2).

### Monetary Assets of Banking System

	End June 2010 Stocks	Cumulative Flows since end June		FY10
		Latest week	A year ago	
		15-Jan-11	16-Jan-10	
<b>NFA</b>	<b>545.3</b>	<b>126.9</b>	<b>20.1</b>	<b>49.4</b>
<b>NDA</b>	<b>5232.0</b>	<b>327.0</b>	<b>256.6</b>	<b>590.6</b>
<b>Government borrowings: of wh.</b>	<b>2440.9</b>	<b>298.2</b>	<b>142.5</b>	<b>406.6</b>
Budgetary borrowing	2011.5	355.2	164.3	330.4
Commodity operations	413.2	-59.6	-20.5	77.0
<b>Non-govt. sect. borrowings: of wh.</b>	<b>3388.8</b>	<b>154.5</b>	<b>184.3</b>	<b>198.8</b>
Private sector	3019.8	134.0	101.4	112.9
PSEs	351.4	19.7	83.8	85.0
<b>Other items (net)</b>	<b>-597.8</b>	<b>-125.7</b>	<b>-70.2</b>	<b>-14.9</b>
<b>M2</b>	<b>5777.2</b>	<b>453.9</b>	<b>276.8</b>	<b>640.0</b>

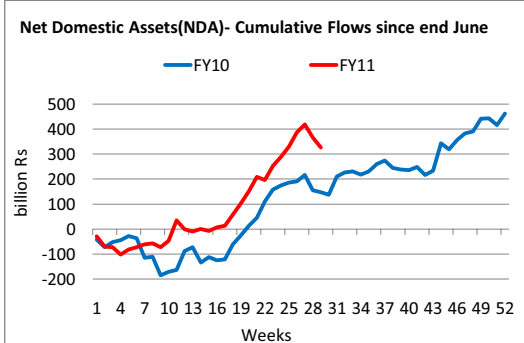


### Monetary Liabilities of Banking System

<b>Currency in circulation</b>	<b>1295.4</b>	<b>273.6</b>	<b>181.0</b>	<b>143.2</b>
<b>Total deposits with banks</b>	<b>4475.2</b>	<b>179.0</b>	<b>94.1</b>	<b>494.8</b>
Demand deposits with banks	3594.1	80.1	71.8	387.6
Time deposits with banks	535.7	71.9	-16.7	42.1
RFCDs with banks	345.4	27.0	39.0	65.1
<b>M2</b>	<b>5777.2</b>	<b>453.9</b>	<b>276.8</b>	<b>640.0</b>

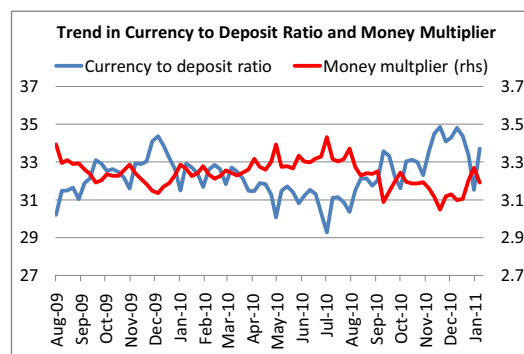
### Percent Growth in Monetary Assets of Banking System

	YoY (15-Jan-11)	Since end June		FY10
		15-Jan-11	16-Jan-10	
<b>NFA</b>	<b>30.3</b>	<b>23.3</b>	<b>4.1</b>	<b>10.0</b>
<b>NDA</b>	<b>13.5</b>	<b>6.2</b>	<b>5.5</b>	<b>12.7</b>
<b>Government borrowings</b>	<b>25.8</b>	<b>12.2</b>	<b>7.0</b>	<b>20.0</b>
Budgetary borrowing	28.2	17.7	9.8	19.7
Commodity operations	12.0	-14.4	-6.1	22.9
<b>Non-government sector borrowings</b>	<b>5.0</b>	<b>4.6</b>	<b>5.8</b>	<b>6.2</b>
Private sector	4.8	4.4	3.5	3.9
PSEs	6.0	5.6	31.5	31.9
<b>Other items (Net)</b>	<b>-7.7</b>	<b>21.0</b>	<b>29.7</b>	<b>2.5</b>
<b>M2</b>	<b>15.1</b>	<b>7.9</b>	<b>5.4</b>	<b>12.5</b>



### Memorandum Items

	(billion Rs)		
	Latest week	A year ago	FY10
	15-Jan-11	16-Jan-10	
Money multiplier	3.2	3.2	3.4
Currency to deposit ratio	33.7	32.7	29.0
M2 to GDP ratio	40.1	40.7	39.4
Private sector credit to GDP ratio	20.6	22.6	20.6



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

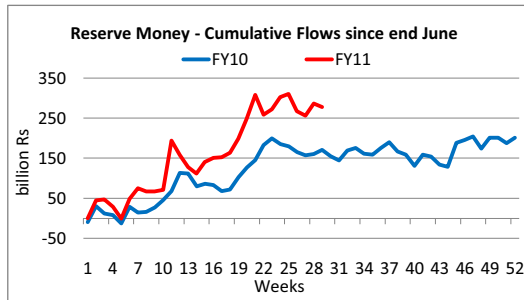


**Significant expansion in reserve money was mainly due to continued heavy government borrowing from SBP for budgetary support.**

**Monetary Assets of SBP**

(billion Rs)

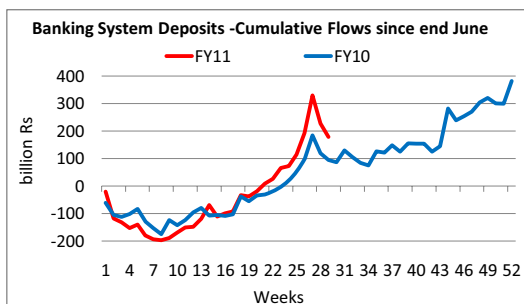
	End June 2010 Stocks	Cumulative Flows		FY10 (Provisional)
		Latest week	A year ago	
		15-Jan-11	16-Jan-10	
<b>NFA</b>	<b>378.7</b>	<b>118.3</b>	<b>27.6</b>	<b>75.9</b>
<b>NDA: of which</b>	<b>1300.6</b>	<b>159.2</b>	<b>143.6</b>	<b>95.9</b>
Budgetary borrowing	1208.7	133.0	-16.6	44.0
Other items (net)	-231.0	1.2	136.6	42.3
Net Impact of OMOs/Discounting	7.7	11.5	95.9	3.1
<b>Reserve money</b>	<b>1679.3</b>	<b>277.5</b>	<b>171.1</b>	<b>171.7</b>



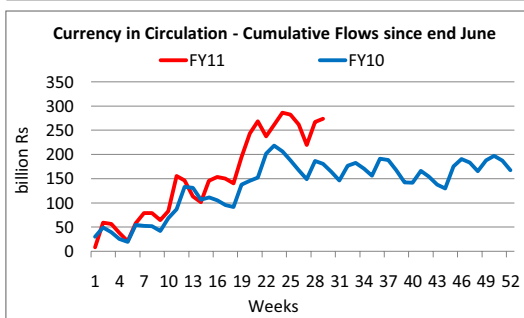
**Monetary Liabilities of SBP**

(billion Rs)

	End June 2010 Stocks	Cumulative Flows		FY10
		Latest week	A year ago	
		15-Jan-11	16-Jan-10	
Currency in circulation	1295.4	273.6	181.0	143.2
Cash in tills	87.7	-8.9	-13.0	10.7
Bank deposits with SBP (reserves)	289.6	11.5	1.5	15.8
Other deposits with SBP	6.7	1.4	1.6	2.0



	YoY (15-Jan-11)	Percent growth		
<b>NFA of the SBP</b>	<b>50.4</b>	31.3	9.1	25.0
<b>NDA of the SBP: of which</b>	<b>8.3</b>	12.2	11.9	8.0
Budgetary borrowing	16.9	11.0	-1.4	3.8
Other items (net)	68.2	-0.5	-50.0	-15.5
<b>Reserve money</b>	<b>16.6</b>	16.5	11.4	11.4

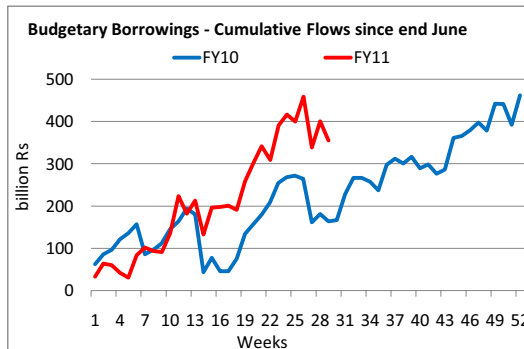


**Government met the shortfall in financing of fiscal deficit through increased borrowing both from SBP and Scheduled banks.**

**Details on Government Borrowing for Budgetary Support**

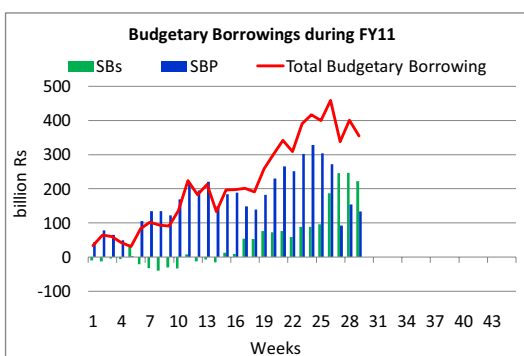
(billion Rs)

	End June 2010 Stocks	Cumulative Flows		FY10
		Latest week	A year ago	
		15-Jan-11	16-Jan-10	
<b>Budgetary Borrowing</b>	<b>2011.5</b>	<b>355.2</b>	<b>164.3</b>	<b>330.4</b>
<b>Federal government</b>	<b>2188.8</b>	<b>396.7</b>	<b>153.8</b>	<b>339.7</b>
From SBP	1141.7	171.0	-32.9	30.1
SBP's Holdings of MRTBs	1124.9	154.3	-64.7	17.1
From SBs	1047.0	225.7	186.7	309.5
<b>Provincial governments</b>	<b>-177.3</b>	<b>-41.5</b>	<b>10.5</b>	<b>-9.2</b>
From SBP	66.9	-38.0	16.3	13.9
From SBs	-244.2	-3.5	-5.8	-23.1



**Memorandum Items**

<b>Cash basis</b>	<b>1934.6</b>	<b>337.1</b>	<b>104.7</b>	<b>304.6</b>
SBP	1171.4	119.6	-19.4	41.9
SBs	763.1	217.5	124.2	262.6

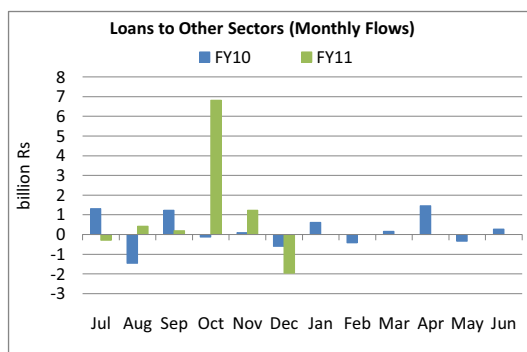
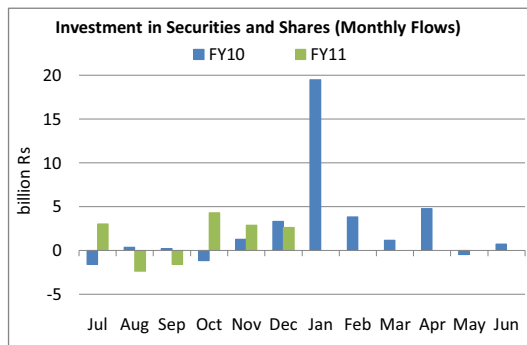
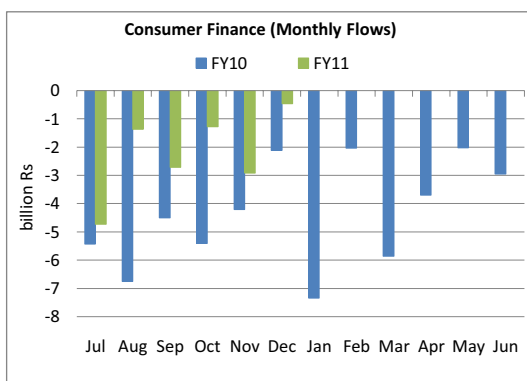
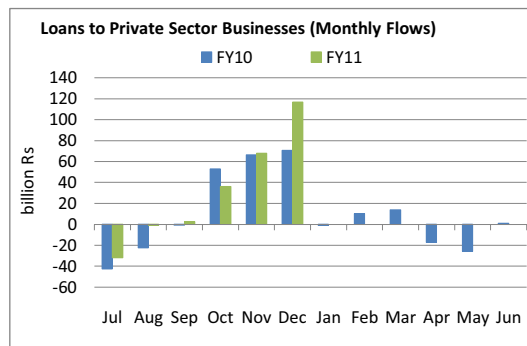




**Increase in private sector credit during H1-FY11 is broadly in line with real economic activity and higher input prices.**

**Credit to Private Sector**

	End June 2010 Stocks	Flows during (billion Rs)		
		H1-FY11	H2-FY10	FY10
<b>Total credit to private sector</b>	<b>3020.3</b>	<b>163.4</b>	<b>124.6</b>	<b>113.0</b>
<b>1. Loans to private sector businesses</b>	<b>2258.5</b>	<b>190.2</b>	<b>124.7</b>	<b>105.5</b>
<b>By type</b>				
Working capital: <i>of which</i>	1418.7	183.5	81.3	40.6
Export finance	239.8	34.1	23.5	12.0
Import finance	105.0	16.7	-3.9	11.1
Fixed investment	839.9	6.7	43.4	64.9
<b>By Sectors: of which</b>				
<b>Agriculture</b>	<b>169.5</b>	<b>↑ 9.1</b>	<b>↑ 6.1</b>	<b>↑ 7.0</b>
<b>Manufacturing: of which</b>	<b>1263.6</b>	<b>↑ 143.6</b>	<b>↑ 85.3</b>	<b>↑ 31.8</b>
Textiles	470.2	↑ 106.3	↑ 52.2	↓ -12.8
Food products & beverages	214.3	↑ 14.4	↓ -8.8	↑ 10.8
Chemicals & products	156.8	↓ -0.6	↑ 23.1	↑ 19.2
Non-metallic mineral products	102.7	↑ 3.7	↑ 1.9	↑ 0.7
Wearing apparel, readymade gar.	48.1	↑ 3.4	↑ 0.9	↓ -0.3
<b>Electricity, gas and water</b>	<b>215.5</b>	<b>↑ 23.3</b>	<b>↑ 27.3</b>	<b>↑ 61.1</b>
<b>Construction</b>	<b>67.1</b>	<b>↑ 3.0</b>	<b>↓ -1.6</b>	<b>↓ -3.9</b>
<b>Commerce and trade</b>	<b>229.7</b>	<b>↑ 4.1</b>	<b>↑ 5.9</b>	<b>↓ -4.0</b>
<b>Transport, storage and comm.</b>	<b>105.1</b>	<b>↑ 3.0</b>	<b>↓ -0.6</b>	<b>↑ 7.8</b>
<b>Services: of which</b>	<b>161.2</b>	<b>↓ -0.5</b>	<b>↑ 4.8</b>	<b>↑ 11.7</b>
Real estate/renting & business act.	113.2	↑ 0.1	↑ 2.3	↑ 6.0
<b>2. Personal: of which</b>	<b>321.5</b>	<b>↓ -15.5</b>	<b>↓ -24.3</b>	<b>↓ -42.7</b>
Consumer financing	242.0	↓ -13.5	↓ -28.4	↓ -49.5
<b>3. Investment in securities and shares</b>	<b>145.1</b>	<b>↑ 8.9</b>	<b>↑ 2.4</b>	<b>↑ 31.9</b>
<b>4. Others</b>	<b>295.2</b>	<b>↓ -20.3</b>	<b>↑ 21.8</b>	<b>↑ 18.3</b>





## Money Market

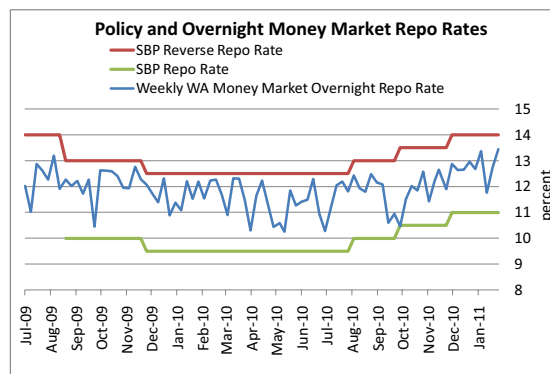
**SBP raised the policy rate by 50 basis points in the last monetary policy review on 29th November 2010.**

### Policy Instruments (%)

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

<sup>1</sup> Basis points

DL: Demand Liabilities; TL: Time Liabilities



**Banks' holding of excess cash reserves with SBP declined during the week ending on 20th January 2011.**

### Weekly Cash Reserve Requirements<sup>1</sup> (billion Rs)

	Week Ended		Change since	
	Current	Last month		
	20-Jan-11	16-Dec-10	16-Dec-10	20-Nov-09 <sup>2</sup>
Cash Required	200.1	193.4	↑ 6.7	↑ 31.1
Cash Maintained	205.9	203.1	↑ 2.8	↑ 31.0
Excess Cash Reserves (per day)	5.8	9.7	↓ -3.9	↓ -0.1

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

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

### Weighted Average O/N Market Repo Rate Trends (%)

	01-Jul-2010 - 27-Jan-2011				
	Q1	Q2	Q3	Q4	YTD
W.A.O/N Repo Rate <sup>1</sup>	11.68	12.10	12.87	-	12.00
Standard Deviation	0.61	0.61	0.78	-	0.69
CoV <sup>2</sup>	0.05	0.05	0.06	-	0.06

### 01-Jul-2009 - 30-June-2010

	Q1	Q2	Q3	Q4	YTD
W.A. O/N Repo Rate	12.08	12.1	11.72	11.11	11.71
Standard Deviation	0.60	0.58	0.59	0.71	0.71
CoV <sup>2</sup>	0.05	0.05	0.05	0.06	0.06

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

<sup>2</sup> Coefficient of Variation

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

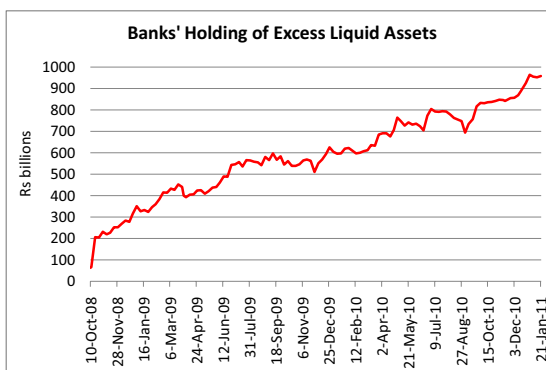
### Overall Reserve Requirement (billion Rs)

As of	Current Last Month		Change since	
	21-Jan-11	15-Dec-10	15-Dec-10	4-Oct-08
<b>Required Reserves</b>	<b>934.5</b>	<b>911.6</b>	↑ 22.9	↓ -25.4
Cash <sup>1</sup>	200.6	195.5	↑ 5.1	↓ -73.8
Securities <sup>2</sup>	733.9	716.1	↑ 17.8	↑ 48.4
<b>Maintained</b>	<b>1892.4</b>	<b>1797.8</b>	↑ 94.6	↑ 873.6
Cash	307.8	314.9	↓ -7.1	↓ -81.1
Cash in Tills	98.3	98.4	↓ -0.1	↑ 10.2
Balance with SBP	192.9	201.6	↓ -8.8	↓ -95.8
Balance with NBP	16.6	14.8	↑ 1.8	↑ 4.5
Securities	1548.6	1446.9	↑ 101.7	↑ 935.4
Others <sup>3</sup>	36.0	36.0	↑ 0.0	↑ 19.2
<b>Excess of Liquid Assets<sup>4</sup></b>	<b>957.8</b>	<b>886.2</b>	↑ 71.7	↑ 898.9

Source: Off-site Supervision and Enforcement Department, SBP

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

<sup>2</sup> Required under SLR



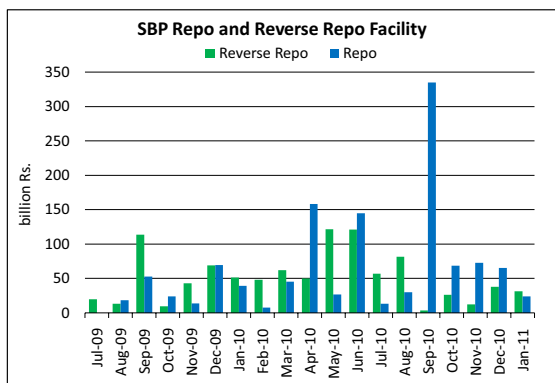
<sup>3</sup> Includes Section 13(3) deposits and share capital of MFBS.

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



## Bank's use of SBP repo facility has gradually declined during January 2010.

	SBP Reverse Repo		SBP Repo	
	Amount	Days	Amount	Days
	billion Rs	No.	billion Rs	No.
<b>FY10</b>	<b>724.2</b>	<b>54</b>	<b>602.1</b>	<b>50</b>
Q1	147.2	12	71.6	8
Q2	121.8	11	107.4	15
Q3	162.1	17	93.3	11
Q4	293.1	14	329.9	16
<b>FY11</b>	<b>250.8</b>	<b>26</b>	<b>620.7</b>	<b>51</b>
Q1	142.2	13	378.7	20
Q2	77.1	10	217.6	26
Jan	31.5	3	24.4	5

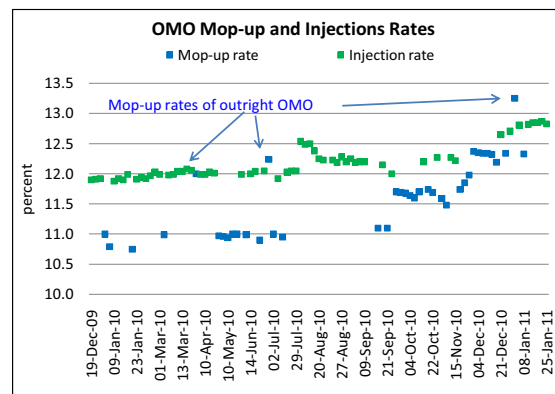
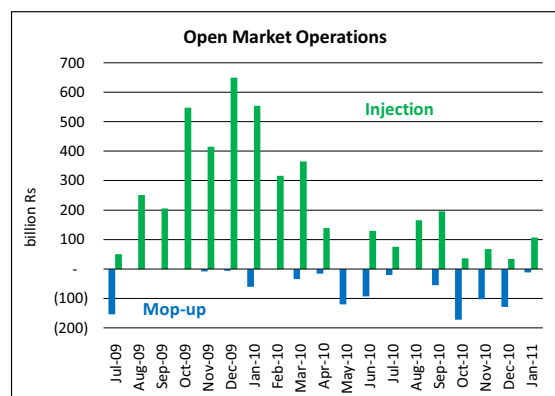


\*Updated upto 27th January 2011

Source: Domestic Markets & Monetary Management Department, SBP

## Net OMO injections during January 2011 indicates that liquidity was relatively short with banks.

	Open Market Operations (billion rupees) <sup>#</sup>			Outstanding OMOs	
	Mop-up	Injection	Net Mop-up*	Amount	Maturity
	<b>FY10</b>	<b>489.7</b>	<b>3,621.0</b>	<b>(3,131.3)</b>	-
Q1	153.6	506.9	(353.4)	-	-
Q2	14.3	1,610.7	(1,596.4)	-	-
Q3	93.8	1,234.9	(1,141.1)	-	-
Q4	228.0	268.5	(40.5)	-	-
<b>FY11</b>	<b>348.9</b>	<b>540.7</b>	<b>(191.8)</b>	-	-
Jul	20.5	75.1	(54.6)	-	-
Aug	-	165.1	(165.1)	-	-
Sep	54.4	196.1	(141.7)	-	-
Oct	171.5	36.9	134.7	-	-
Nov	102.5	67.6	34.9	-	-
Dec	128.6	34.1	94.5	-	-
Jan	11.5	106.9	(95.4)	-	-
6-Jan	-	32.6	(32.6)	(32.6)	14-Jan
8-Jan	11.5	-	11.5	11.5	13-Jan
15-Jan	-	20.0	(20.0)	(20.0)	21-Jan
17-Jan	-	33.9	(33.9)	(33.9)	21-Jan
21-Jan	-	6.0	(6.0)	(6.0)	28-Jan
22-Jan	-	8.0	(8.0)	(8.0)	28-Jan
25-Jan	-	6.5	(6.5)	(6.5)	28-Jan



# Updated upto 27th January 2010

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

Source: Domestic Markets & Monetary Management Department, SBP



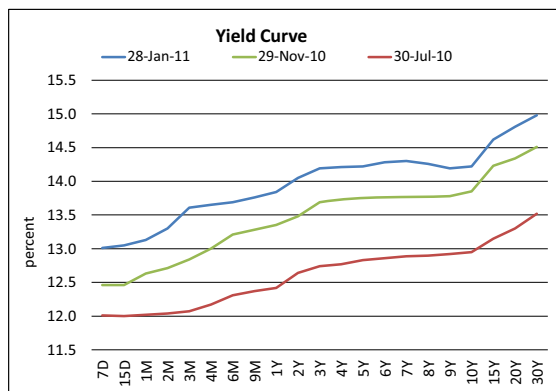
*The yield curve shifted upward in line with increase in the policy rate.*

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

Tenors	Current	last month	Change since last policy rate change*	
	28-Jan-11	24-Dec-10		29-Nov-10
1-week	13.01	12.98	↑	55
2-week	13.05	12.82	↑	59
1-month	13.13	13.00	↑	50
3-month	13.61	13.17	↑	77
6-month	13.69	13.34	↑	48
9-month	13.76	13.49	↑	48
1-year	13.84	13.65	↑	49
2-year	14.05	13.94	↑	57
3-year	14.19	14.14	↑	50
5-year	14.22	14.19	↑	47
7-year	14.30	14.29	↑	53
10-year	14.22	14.24	↑	37
20-year	14.81	14.68	↑	47
30-year	14.98	14.87	↑	47

Source: Financial Market Association of Pakistan

\* In basis points



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

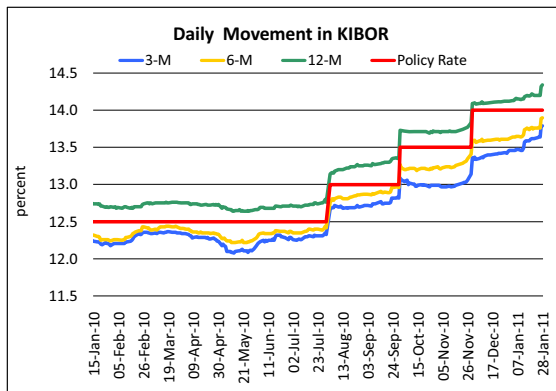
*KIBOR of all tenors increased with the hike in policy rate.*

**Tenor-wise KIBOR (%)**

Tenors	Current	last month	Change since last policy rate change*	
	28-Jan-11	24-Dec-10		29-Nov-10
1-Week	13.59	13.06	↑	62
2-Week	13.57	13.21	↑	60
1-Month	13.59	13.30	↑	56
3-Month	13.79	13.42	↑	65
6-Month	13.90	13.61	↑	49
9-Month	14.24	13.95	↑	51
12-Month	14.34	14.11	↑	51
2-Year	14.44	14.22	↑	52
3-Year	14.53	14.33	↑	51

Source: SBP and Financial Market Association of Pakistan

\* In basis points

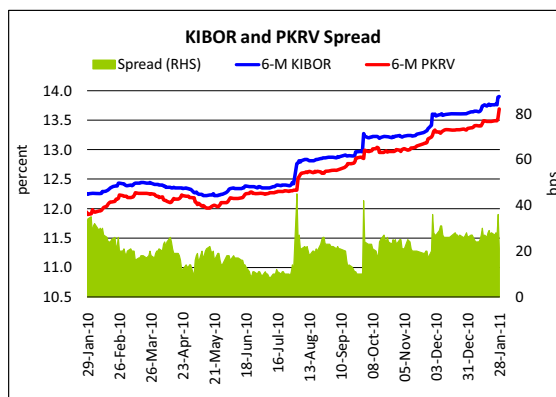


*The spread between 6-month KIBOR and 6-month PKRV rates has increased slightly since the last policy rate change.*

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

Tenors	Current	last month	Change since last policy rate change	
	28-Jan-11	24-Dec-10		29-Nov-10
1-Week	58	8	↑	7
2-Week	52	39	↑	1
1-Month	46	30	↑	6
3-Month	18	25	↓	-12
6-Month	21	27	↑	1
9-Month	48	46	↑	3
12-Month	50	46	↑	2
2-Year	39	28	↓	-5
3-Year	34	19	↑	1

Sources: SBP

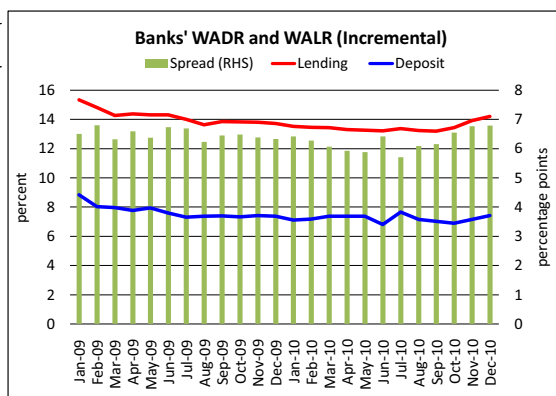




*The spread between weighted average lending and deposit rates widened in November 2010 due to relatively higher increase in lending rates.*

Weighted average Lending and Deposit Rates (percent per annum)

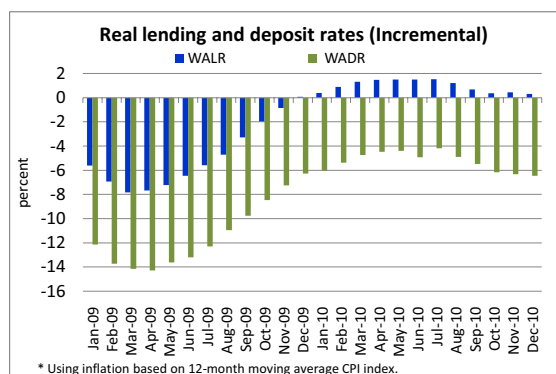
Months	Incremental <sup>1</sup>			Outstanding		
	WALR	WADR	Spread (bps)	WALR	WADR	Spread (bps)
Dec-09	13.71	7.38	633	13.49	6.14	735
Jan-10	13.53	7.11	642	13.35	6.10	725
Feb-10	13.46	7.18	628	13.38	6.07	731
Mar-10	13.44	7.37	607	13.40	6.10	730
Apr-10	13.30	7.37	593	13.42	6.03	739
May-10	13.25	7.37	588	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
Sep-10	13.19	7.03	616	13.34	5.77	757
Oct-10	13.43	6.88	655	13.32	5.83	749
Nov-10	13.92	7.15	677	13.42	5.88	754
Dec-10	14.20	7.41	679	13.52	5.91	761



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

*Real lending and deposit rates declined in November 2010 mainly due to acceleration in inflation.*

Months	Real (based on 12-month MA inflation) <sup>1</sup>		Real (based on YoY inflation) <sup>2</sup>	
	WALR	WADR	WALR	WADR
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
Sep-10	0.67	-5.49	-2.52	-8.68
Oct-10	0.37	-6.18	-1.90	-8.45
Nov-10	0.44	-6.33	-1.56	-8.33
<b>Dec-10</b>	<b>0.32</b>	<b>-6.47</b>	<b>-1.26</b>	<b>-8.05</b>



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

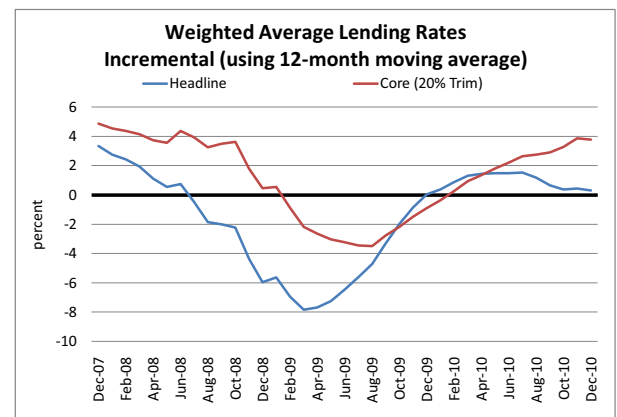
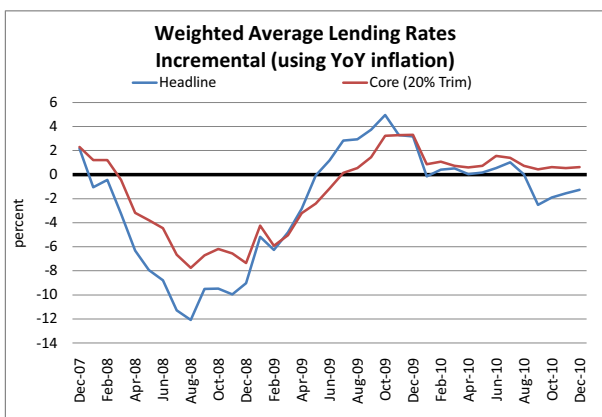
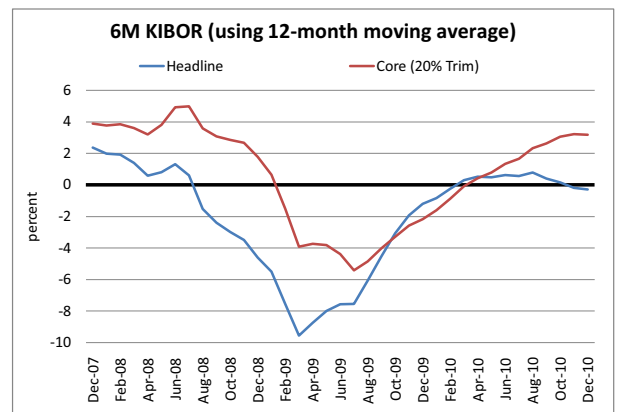
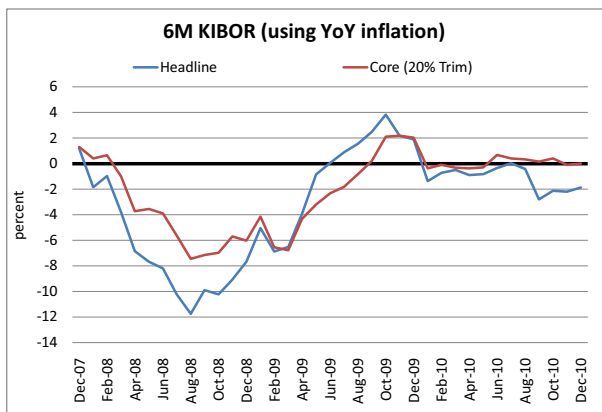
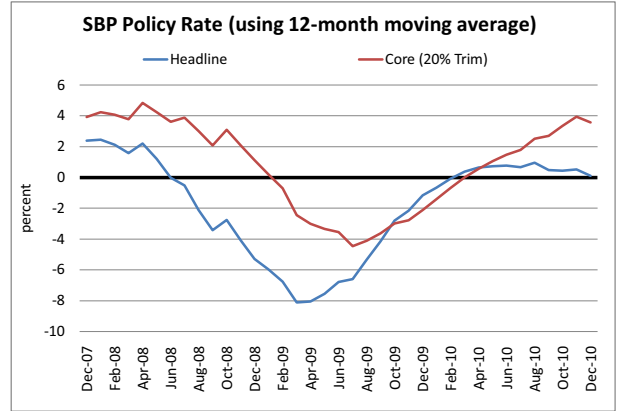
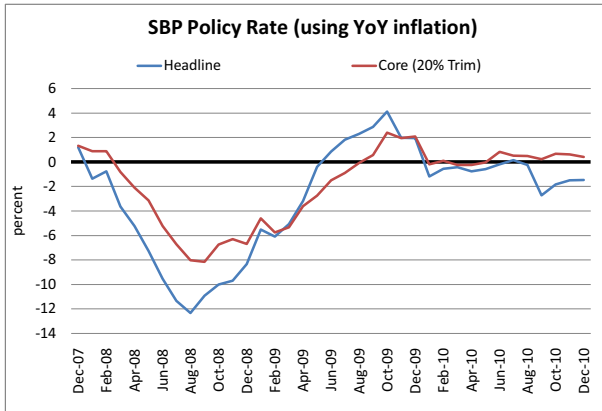
<sup>1</sup> Nominal rate less CPI inflation (12-month moving average).

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

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



### Real Interest Rates



Sources: FBS and Statistics & Data Warehouse Department, SBP





**Banks' inclination to invest in 3-month T-bills in recent auctions shows the market expectations of hike in policy rate.**

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

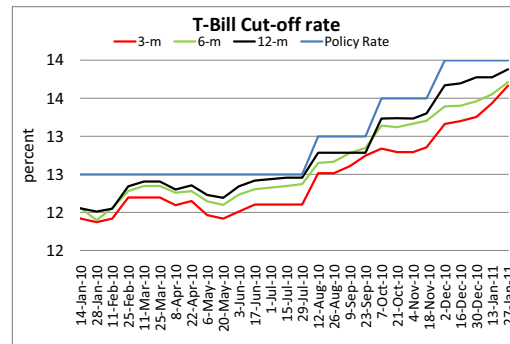
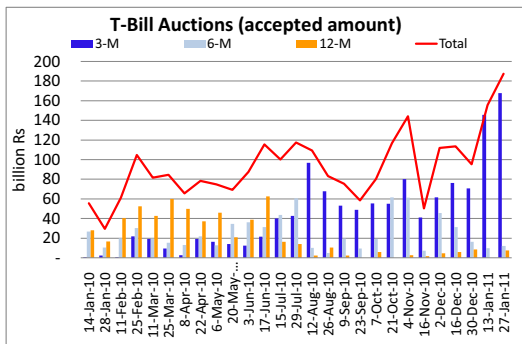
FY/Q/ Settlement Date	TOTAL				3-Month			6-Month			12-Month			Non- competitive bids (Accepted)#
	Target	Maturity	Offered	Accepted	Offered	Accepted	Cutoff*	Offered	Accepted	Cutoff**	Offered	Accepted	Cutoff**	
<b>FY10</b>	<b>1,360.0</b>	<b>1,106.5</b>	<b>2,875.1</b>	<b>1,376.0</b>	<b>523.2</b>	<b>199.9</b>	-	<b>797.3</b>	<b>362.4</b>	-	<b>1,554.5</b>	<b>813.7</b>	-	<b>65.9</b>
Q1	325.0	180.8	700.3	329.0	56.5	27.3	12.49	147.8	47.7	12.60	496.0	254.0	12.54	4.2
Q2	145.0	75.1	462.9	141.1	101.4	33.1	12.06	133.1	43.4	12.10	228.4	64.6	12.09	5.7
Q3	430.0	401.7	701.1	415.8	160.6	53.7	12.20	215.1	122.1	12.35	325.4	240.0	12.41	16.6
Q4	460.0	448.9	1,010.8	490.1	204.8	85.8	12.10	301.3	149.2	12.30	504.7	255.1	12.42	39.4
<b>FY11</b>	<b>1,580.0</b>	<b>1,566.2</b>	<b>2,516.7</b>	<b>1,596.8</b>	<b>1,664.2</b>	<b>1,102.9</b>	-	<b>639.0</b>	<b>412.4</b>	-	<b>213.5</b>	<b>81.6</b>	-	<b>87.1</b>
Q1	535.0	532.0	840.9	542.9	492.0	349.5	12.75	226.0	148.2	12.85	122.9	45.3	12.79	43.9
Q2	685.0	704.0	1,262.1	711.0	811.1	440.0	13.25	380.2	242.2	13.46	70.9	28.8	13.78	66.5
13-Jan	175.0	148.0	191.1	155.4	166.6	145.6	13.44	15.7	9.8	13.55	8.8	R	R	10.8
27-Jan	185.0	182.3	222.5	187.5	194.5	167.8	13.67	17.1	12.2	13.71	11.0	7.47	13.88	9.4

Source: Domestic Markets & Monetary Management Department, SBP

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

R: Bids rejected; N: No bids received

\*Quarterly rate are for end-period.



**Higher offers in the recent PIB auction allowed the government to meet the target.**

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
<b>22-Dec-10</b>									
Cut-off rate	-	14.25	14.30	R	14.36	R	R	R	-
Offered	-	6.10	3.10	1.50	17.08	0.50	1.40	2.54	32.23
Accepted	20.00	5.10	1.85	R	13.58	R	R	R	20.54
<b>13-Oct-10</b>									
Cut-off rate	-	13.90	14.00	R	14.10	R	14.20	R	-
Offered	-	3.78	1.60	0.20	8.61	0.35	1.30	1.30	17.14
Accepted	20.00	0.53	0.50	R	4.86	R	0.50	R	6.39
<b>18-Aug-10</b>									
Cut-off rate	-	R	R	R	R	R	R	R	-
Offered	-	3.10	1.66	0.35	8.01	0.25	1.10	1.10	15.57
Accepted	25.00	R	R	R	R	R	R	R	-
<b>22-Jul-10</b>									
Cut-off rate	-	R	R	R	R	R	R	R	-
Offered	-	3.98	2.30	0.70	9.35	0.50	1.30	1.80	19.92
Accepted	20.00	R	R	R	R	R	R	R	-

\*N=No bids; R=Bids rejected

# Excluding non-competitive bids and short-selling accommodation

Source: Domestic Markets & Monetary Management Department, SBP

**Government accepted a total of Rs89.01 billion in the latest two Ijara Sukuk Auctions.**

Auction Date #	Settlement Date	Target	Total Offered	Total Accepted	Cut-off Margin*
<b>8-Nov-10</b>	<b>15-Nov-10</b>	40.00	64.71	51.84	0.00
<b>13-Dec-10</b>	<b>20-Dec-10</b>	40.00	57.75	37.17	0.00

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

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



Foreign Exchange Market

PKR has remained stable against USD since November 2010.

	PKR against International Currencies			% App/(Dpp) of PKR Cumulative since Jun-10
	Latest 28 Jan 11	Last MPS 29 Nov 10	Jun-10	
USD	85.74	85.83	85.51	(0.27)
Euro	117.59	113.70	104.82	(10.86)
Sterling	136.12	133.84	128.35	(5.70)
JPY	1.04	1.02	0.96	(7.01)
USD Kerb	86.20	85.85	85.45	(0.87)
Premium (Rs)	0.46	0.02	(0.06)	-
Daily NEER*	51.27	52.26	54.61	(6.11)

\* Nominal Effective Exchange Rate

Source: SBP

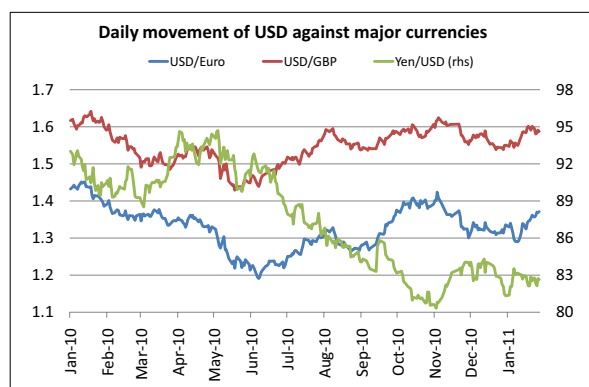
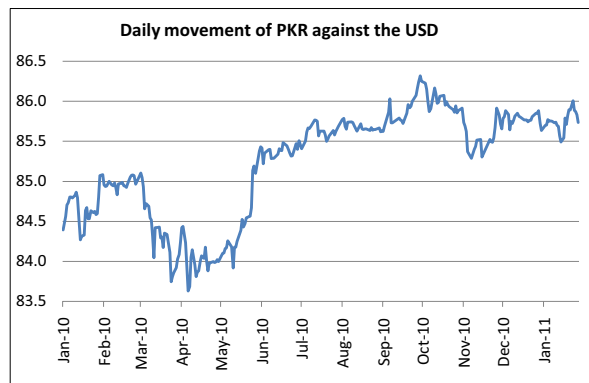
	International Exchange Rates			% App/(Dpp) of USD Cumulative since Jun-10
	Latest 28 Jan 11	Last MPS 29 Nov 10	Jun-10	
EUR/USD	1.37	1.32	1.23	(10.62)
GBP/USD	1.59	1.56	1.50	(5.45)
USD/JPY	82.66	84.07	88.66	(6.76)
USD/INR	45.77	45.75	46.58	(1.74)
USD/CNY	6.58	6.66	6.78	(2.91)
USD/THB	31.06	30.18	32.40	(4.16)
USD/MYR	3.06	3.15	3.24	(5.62)
USD/SGD	1.28	1.32	1.39	(8.19)

Source: SBP

USD/PKR Interbank Exchange Rate Trends on Fiscal Year Basis

	High	Low	Close	Average	Volatility C/C <sup>1</sup>
FY10	85.58	81.40	85.51	83.89	3.02
FY11	86.35	85.13	85.74	85.76	1.73

<sup>1</sup> Reuters: Average Close-to-Close Daily Volatility (in %) \*Updated up to January 28, 2011



USD/PKR Interbank Exchange Rate Trends on Quarterly Basis

	High	Low	Close	Average	Volatility C/C <sup>1</sup>
Q1-FY10	83.52	81.40	83.15	82.69	3.37
Q2-FY10	84.55	83.10	84.24	83.66	1.97
Q3-FY10	85.18	83.65	84.09	84.65	3.03
Q4-FY10	85.58	83.50	85.51	84.60	3.72
Q1-FY11	86.35	85.40	86.32	85.73	1.53
Q2-FY11	86.34	85.13	85.64	85.79	1.92
Q3-FY11*	86.08	85.47	85.74	85.76	1.74

<sup>1</sup> Reuters: Average Close-to-Close Daily Volatility (in %) \*Updated up to January 28, 2011



*In real terms, PKR has appreciated during H1-FY11 mainly due to high domestic inflation vis-à-vis trading partners.*

**Changes in Real Effective Exchange Rate (REER)**

Base Year: CY2000

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

<sup>p</sup> Provisional

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

		WA Exchange Rate	App(+)/Dep(-)												
			2008				2009				2010				2011
			Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	28-Jan
2008	Mar	62.72	-	-8.15	-19.63	-20.71	-22.03	-22.94	-24.60	-25.57	-25.50	-26.62	-27.31	-26.83	-26.89
	Jun	68.28	-	-	-12.50	-13.68	-15.12	-16.11	-17.91	-18.97	-18.89	-20.11	-20.87	-20.34	-20.40
	Sep	78.04	-	-	-	-1.34	-2.99	-4.12	-6.18	-7.39	-7.30	-8.69	-9.56	-8.95	-9.03
	Dec	79.10	-	-	-	-	-1.67	-2.82	-4.90	-6.13	-6.04	-7.45	-8.33	-7.72	-7.80
2009	Mar	80.44	-	-	-	-	-	-1.17	-3.29	-4.54	-4.44	-5.88	-6.77	-6.15	-6.23
	Jun	81.39	-	-	-	-	-	-	-2.15	-3.41	-3.31	-4.77	-5.67	-5.04	-5.12
	Sep	83.18	-	-	-	-	-	-	-	-1.29	-1.19	-2.68	-3.60	-2.96	-3.04
	Dec	84.26	-	-	-	-	-	-	-	-	0.10	-1.40	-2.34	-1.69	-1.77
2010	Mar	84.18	-	-	-	-	-	-	-	-	-	-1.50	-2.44	-1.79	-1.87
	Jun	85.46	-	-	-	-	-	-	-	-	-	-	-0.95	-0.29	-0.37
	Sep	86.29	-	-	-	-	-	-	-	-	-	-	-	0.67	0.58
	Dec	85.71	-	-	-	-	-	-	-	-	-	-	-	-	-0.09
2011	28-Jan	85.79	-	-	-	-	-	-	-	-	-	-	-	-	-



## Capital Market

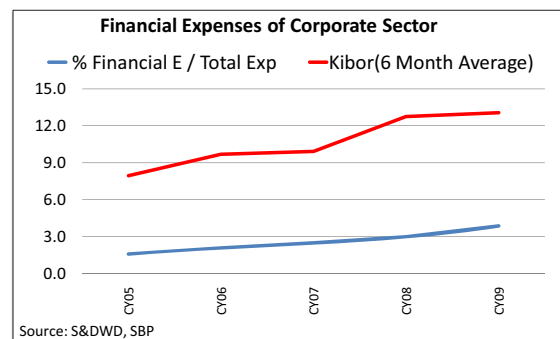
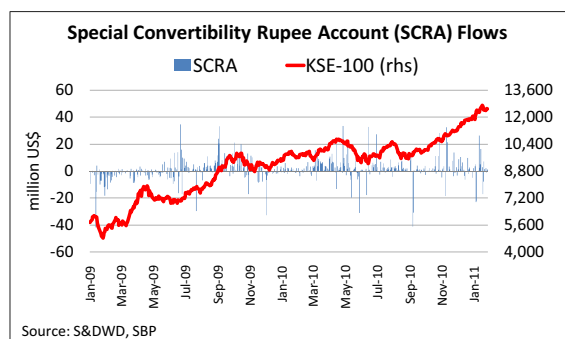
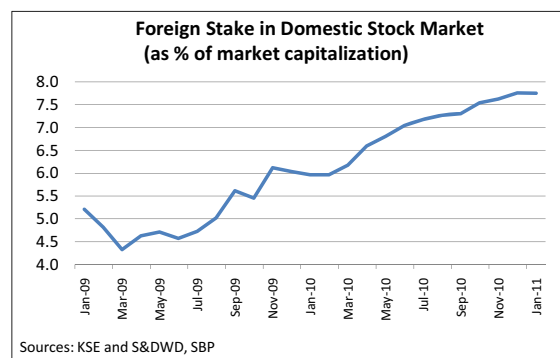
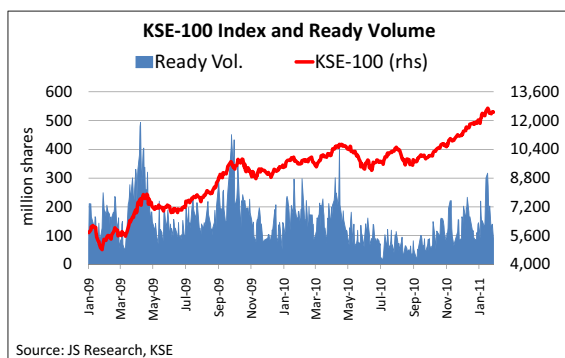
*Growth in KSE-100 index, market capitalization and ready volume moderated during January 2011.*

### Performance of Karachi Stock Exchange

	FY11		H1-FY11	FY10	Change (%)			
	Jan-11 <sup>1</sup>	Dec-10			Jan 11 <sup>1</sup> over Dec 10	Jan 11 <sup>1</sup> over H1-FY11	FY11 <sup>1</sup> over FY10	FY10 over FY09
KSE-100 Index	12,462.7	12,022.5	12,022.5	9,721.9	3.7	3.7	28.2	35.7
KSE-30 Index	12,152.2	11,588.2	11,588.2	9,556.6	4.9	4.9	27.2	26.2
Market Capitalization (billion Rs.)	3,369.5	3,269.0	3,269.0	2,732.4	3.1	3.1	23.3	28.8
Ready Volume (million shares-Avg.)	172.6	139.6	121.3	161.3	23.6	42.3	7.0	54.3
SCRA Cumulative flows <sup>2</sup> , Since July (US\$ million)	197.7	195.4	195.4	568.9	1.2	1.2	-65.2	205.9

<sup>1</sup> Up to 28th January 2011; <sup>2</sup> Up to 27th January 2011

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





## Financial Soundness Indicators

*Banks' profitability indicators show deterioration while NPLs to total loans have increased during September 2010 as compared to earlier quarters of 2010.*

percent

	2008	2009 <sup>#</sup>	Mar 2010	Jun 2010	Sep 2010
Risk weighted CAR*	12.2	14.0	13.7	13.9	13.8
NPLs to total loans	10.5	12.6	13.1	12.9	14.0
Provision to NPLs	69.6	69.9	70.9	73.2	71.1
Returns on assets (before tax)	1.2	1.3	1.8	1.8	1.6
Return on assets (after tax)	0.8	0.9	1.1	1.1	1.0
ROE--average equity and surplus (before tax)	11.4	13.2	17.8	17.7	16.2
ROE--average equity and surplus (after tax)	7.8	8.9	11.1	10.9	9.9
Net interest income/gross income	70.3	72.4	74.0	74.7	75.6
Liquid assets/total assets	28.2	32.7	32.4	34.2	33.6
Liquid assets/total deposits	37.7	44.5	43.7	45.3	44.4
Advances/deposits	75.2	67.7	66.4	63.0	63.1

Source: Banking Surveillance Department, SBP

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

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

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

