



# **Monetary Policy Information Compendium**

**Updated on 8th October 2011**

Consolidated by

**Monetary Policy Department**

**STATE BANK OF PAKISTAN**

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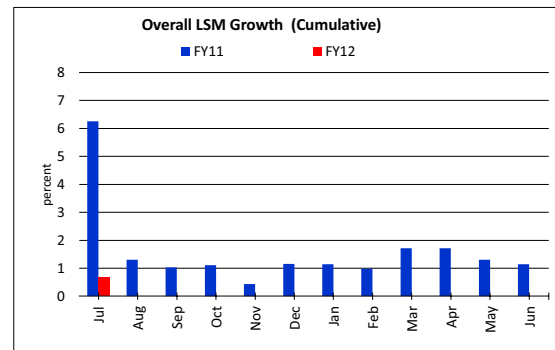
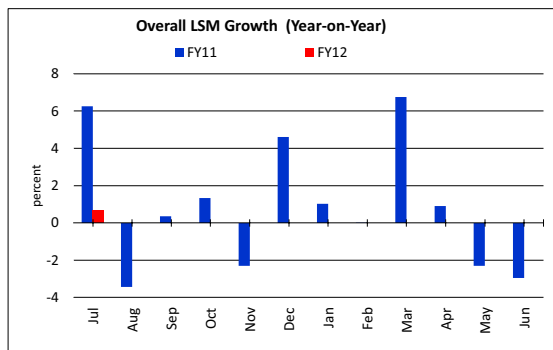
**Real Sector**

*After showing decline for the last two months, the LSM recorded an increase of 0.7 percent (on YoY basis) in July 2011.*

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

Groups	Weights	YoY changes		Cumulative change during	
		Jul-11	Jul-10	FY12	FY11
<b>Overall</b>	<b>75.1</b>	<b>0.7</b>	<b>6.3</b>	<b>0.7</b>	<b>6.3</b>
Textile	26.4	↑ 0.9	↑ 0.2	↑ 0.9	↑ 0.2
Food, beverages & tobacco	14.4	↑ 11.4	↓ -0.3	↑ 11.4	↓ -0.3
Petroleum products	5.2	↓ -3.3	↑ 5.9	↓ -3.3	↑ 5.9
Pharmaceuticals	5.0	↑ 17.5	↑ 2.6	↑ 17.5	↑ 2.6
Non-metallic mineral products	4.2	↑ 7.6	↓ -9.6	↑ 7.6	↓ -9.6
Automobile	4.0	↓ -16.0	↑ 36.5	↓ -16.0	↑ 36.5
Metal industries	3.5	↓ -13.0	↓ -1.2	↓ -13.0	↓ -1.2
Fertilizer	3.4	↑ 10.0	↑ 19.0	↑ 10.0	↑ 19.0
Chemicals	2.9	↓ -3.3	↑ 4.4	↓ -3.3	↑ 4.4
Electronics	2.5	↓ -0.1	↑ 7.7	↓ -0.1	↑ 7.7
Leather products	2.3	↓ -6.8	↑ 47.9	↓ -6.8	↑ 47.9
Paper and board	0.6	↓ -5.5	↑ 5.2	↓ -5.5	↑ 5.2
Engineering industries	0.4	↓ -40.1	↑ 22.9	↓ -40.1	↑ 22.9
Rubber products	0.3	↓ -3.7	↓ -3.7	↓ -3.7	↓ -3.7
Wood and wood products	0.03	↓ -20.0	↑ 22.5	↓ -20.0	↑ 22.5

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



*The floods in early FY11 severely affected the production of major Kharif crops.*

Crops	Production (million tons)				Area Under Cultivation (million hectares)				Yield (Kg/hectare)		
	FY10 <sup>R</sup>	FY11 <sup>T</sup>	FY11 <sup>E</sup>	% change in FY11 <sup>E</sup> over FY10 <sup>R</sup>	FY10 <sup>R</sup>	FY11 <sup>T</sup>	FY11 <sup>E</sup>	% change in FY11 <sup>E</sup> over FY10 <sup>R</sup>	FY11 <sup>T</sup>	FY11 <sup>E</sup>	% change in FY11 <sup>E</sup> over FY10 <sup>R</sup>
Cotton*	12.9	14.0	11.5	↓ -11.3	3.1	3.2	2.7	↓ -13.4	745	724	↑ 2.5
Sugarcane	49.4	53.7	55.3	↑ 12.0	0.9	1.1	1.0	↑ 4.8	51,000	55,997	↑ 6.9
Rice	6.9	6.0	4.8	↓ -29.9	2.9	2.7	2.4	↓ -17.9	2,228	2,039	↓ -14.6
Wheat	23.3	25.0	24.2	↑ 3.9	9.1	9.0	8.8	↓ -3.6	2,764	2,752	↑ 7.7
Gram	0.6	0.6	0.5	↓ -6.9	1.1	1.1	1.1	↑ 0.1	552	490	↓ -7.0
Maize	3.3	3.5	3.3	↑ 2.4	0.9	1.0	0.9	↑ 0.4	3,419	3,560	↑ 2.1

\* Cotton production is stated in million bales.

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

Source: Federal Bureau of Statistics

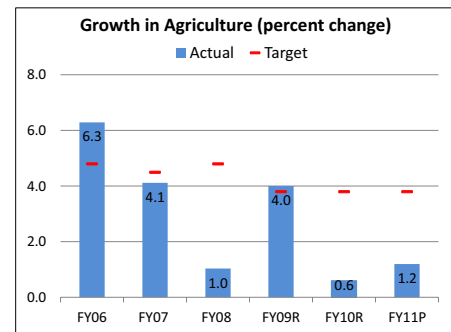
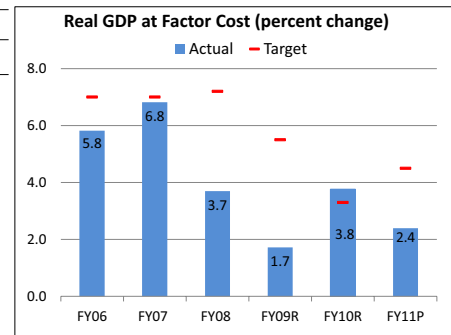
Note: Growth numbers may not tally due to separate rounding off of production data.



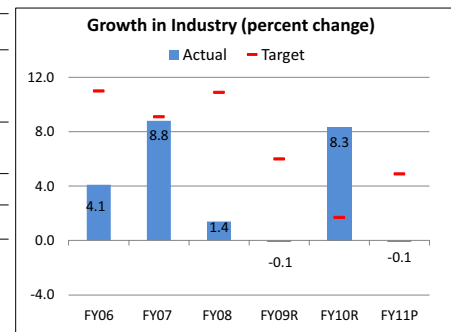
**Real GDP (fc) growth moderated to 2.4 percent in FY11 mainly due to lackluster performance of industrial sector affected by infrastructural constraints and unfavorable law & order situation in the country.**

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

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

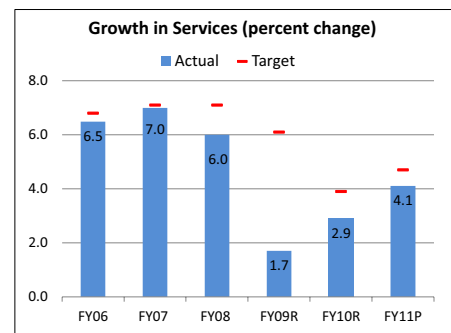


	FY09	FY10(R)	FY11(P)
Real GDP (fc, billion Rs)	5,476	5,682	5,817
Real GDP (fc, billion US\$)	69.3	67.5	67.9



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

	FY10 (R)	FY11 (P)		
		Growth	Shares	Contribution
<b>Consumption</b>	<b>3.9</b>	<b>7.0</b>	<b>85.8</b>	<b>6.1</b>
Private	4.0	7.0	76.8	5.4
Government	2.2	7.5	9.0	0.7
<b>Fixed capital formation</b>	<b>-6.1</b>	<b>-0.4</b>	<b>13.3</b>	<b>-0.1</b>
Private	-5.7	-3.1	9.7	-0.3
Public plus general government	-7.3	7.7	3.6	2.8
<b>Changes in Stocks</b>	<b>4.1</b>	<b>2.4</b>	<b>1.6</b>	<b>0.04</b>
<b>Net exports of goods and non-factor services</b>	<b>196.6</b>	<b>-127.8</b>	<b>-0.7</b>	<b>-3.6</b>
Exports of goods and non-factor	15.8	-14.2	14.6	-2.6
Imports of goods and non-factor	4.4	6.1	15.3	1.0
<b>GDP (market prices)</b>	<b>4.1</b>	<b>2.4</b>	<b>100.0</b>	-
Less Indirect taxes plus subsidies	11.4	1.7	-5.7	-0.1
<b>GDP (fc)</b>	<b>3.8</b>	<b>2.4</b>	<b>105.7</b>	-
<b>Total Domestic Demand*</b>	<b>2.3</b>	<b>5.9</b>	-	-



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

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



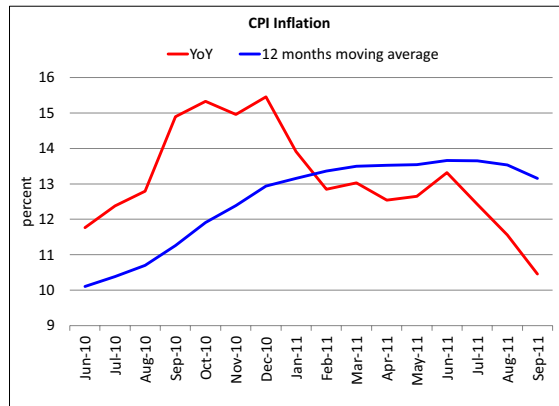
## Inflation

(Calculated from the revised base of price indices from 2000-01 to 2007-08)

*Headline CPI inflation (YoY) declined sharply in September 2011 to the lowest level during last one and half year.*

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

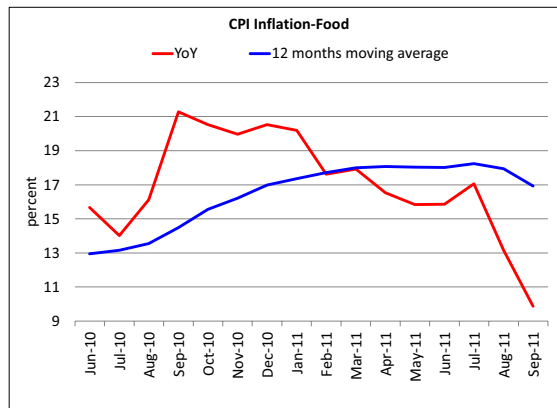
	MoM*	YoY#	12M moving average
Sep-10	2.0	14.9	11.3
Oct-10	1.0	15.3	11.9
Nov-10	1.0	15.0	12.4
Dec-10	-0.3	15.5	12.9
Jan-11	1.2	13.9	13.2
Feb-11	-0.6	12.8	13.4
Mar-11	1.4	13.0	13.5
Apr-11	1.4	12.5	13.5
May-11	0.2	12.6	13.5
Jun-11	1.0	13.3	13.7
Jul-11	1.3	12.4	13.7
Aug-11	1.4	11.6	13.5
Sep-11	1.0	10.5	13.2
<b>3-year average for September</b>	<b>1.1</b>	<b>11.2</b>	



*First time in last 22 months, food inflation (YoY) declined to single digit in September 2011.*

**CPI - Food (37.47% weight in basket) (percent change)**

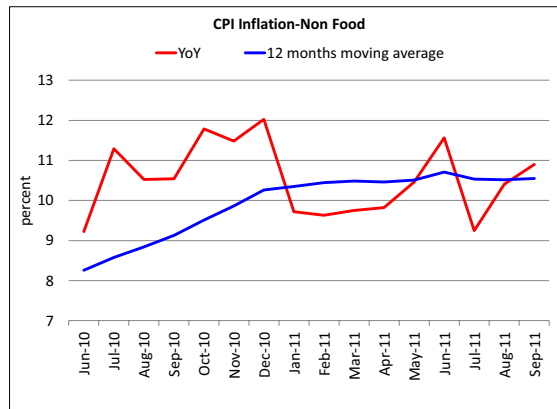
	MoM*	YoY#	12M moving average
Sep-10	4.6	21.3	14.5
Oct-10	0.0	20.5	15.6
Nov-10	1.6	20.0	16.2
Dec-10	-1.7	20.5	17.0
Jan-11	1.7	20.2	17.4
Feb-11	-1.8	17.6	17.7
Mar-11	2.2	17.9	18.0
Apr-11	1.3	16.5	18.1
May-11	-0.3	15.8	18.0
Jun-11	0.7	15.9	18.0
Jul-11	2.9	17.1	18.2
Aug-11	1.4	13.2	17.9
Sep-11	1.6	9.9	16.9
<b>3-year average for September</b>	<b>2.1</b>	<b>13.9</b>	



*Non-food inflation (YoY), however, increased for the second consecutive month in September 2011.*

**CPI - Non Food (62.53% weight in basket) (percent change)**

	MoM*	YoY#	12M moving average
Sep-10	0.2	10.5	9.1
Oct-10	1.7	11.8	9.5
Nov-10	0.5	11.5	9.9
Dec-10	0.8	12.0	10.3
Jan-11	0.8	9.7	10.3
Feb-11	0.3	9.6	10.4
Mar-11	0.9	9.8	10.5
Apr-11	1.5	9.8	10.5
May-11	0.6	10.5	10.5
Jun-11	1.2	11.6	10.7
Jul-11	0.1	9.2	10.5
Aug-11	1.4	10.4	10.5
Sep-11	0.6	10.9	10.6
<b>3-year average for September</b>	<b>0.3</b>	<b>9.5</b>	



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

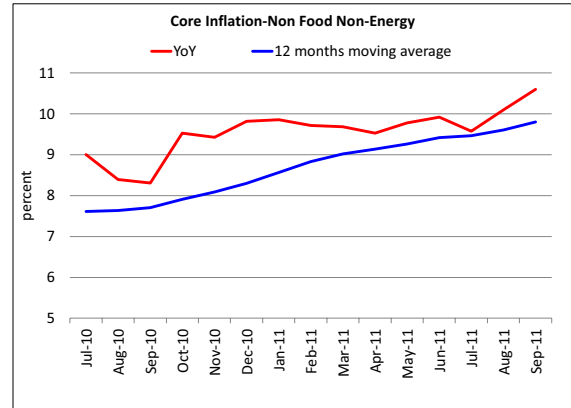
Source: Federal Bureau of Statistics



*The non-food non-energy (NFNE) measure of core inflation (YoY) rose to 10.6 percent in September 2011.*

Core - Non-food non-energy (53.52% weight in basket) (percent change)

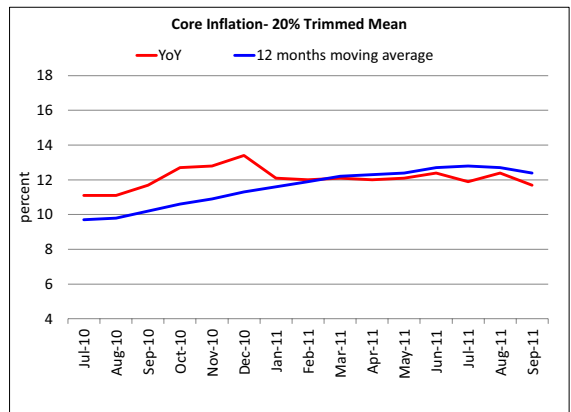
	MoM	YoY	12M moving average
Sep-10	0.2	8.3	7.7
Oct-10	1.6	9.5	7.9
Nov-10	0.6	9.4	8.1
Dec-10	0.7	9.8	8.3
Jan-11	1.0	9.9	8.6
Feb-11	0.4	9.7	8.8
Mar-11	0.8	9.7	9.0
Apr-11	1.4	9.5	9.1
May-11	0.5	9.8	9.3
Jun-11	0.5	9.9	9.4
Jul-11	1.2	9.6	9.5
Aug-11	0.8	10.1	9.6
Sep-11	0.7	10.6	9.8
<b>2-year average for September</b>	<b>0.5</b>	<b>9.5</b>	



*The 20% trimmed mean measure of core inflation (YoY), however, recorded a slight decrease in September 2011.*

Core - 20% Trimmed (percent change)

	MoM	YoY	12M moving average
Sep-10	0.7	11.7	10.2
Oct-10	1.6	12.7	10.6
Nov-10	0.8	12.8	10.9
Dec-10	0.8	13.4	11.3
Jan-11	1.1	12.1	11.6
Feb-11	0.4	12.0	11.9
Mar-11	1.0	12.1	12.2
Apr-11	1.0	12.0	12.3
May-11	0.5	12.1	12.4
Jun-11	0.7	12.4	12.7
Jul-11	1.1	11.9	12.8
Aug-11	0.7	12.4	12.7
Sep-11	0.6	11.7	12.4
<b>2-year average for September</b>	<b>0.7</b>	<b>11.7</b>	

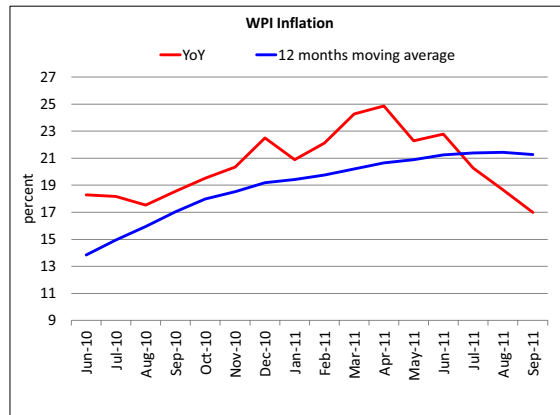


Source: Federal Bureau of Statistics



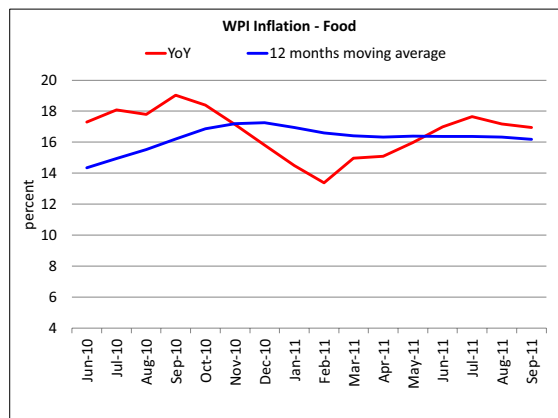
*The WPI inflation (YoY) declined for the third consecutive month in September 2011, largely due to falling prices of non-food items.*

Wholesale Price Index (WPI) (percent change)			
	MoM	YoY	12M moving average
Sep-10	1.7	18.6	17.0
Oct-10	1.7	19.5	18.0
Nov-10	2.5	20.3	18.5
Dec-10	2.0	22.5	19.2
Jan-11	1.9	20.9	19.4
Feb-11	2.0	22.1	19.8
Mar-11	3.3	24.3	20.2
Apr-11	2.4	24.9	20.7
May-11	-1.0	22.3	20.9
Jun-11	0.6	22.8	21.2
Jul-11	-0.4	20.3	21.4
Aug-11	0.6	18.7	21.4
Sep-11	0.2	17.0	21.3
<b>3-year average for September</b>	<b>0.9</b>	<b>13.9</b>	



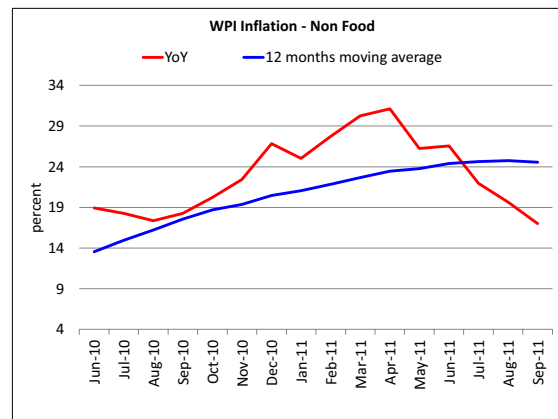
*WPI food inflation (YoY) declined slightly in September 2011.*

WPI - Food (38.82% weight in basket) (percent change)			
	MoM	YoY	12M moving average
Sep-10	2.0	19.0	16.2
Oct-10	0.3	18.4	16.9
Nov-10	0.6	17.1	17.2
Dec-10	-0.7	15.8	17.3
Jan-11	2.1	14.5	17.0
Feb-11	-0.5	13.4	16.6
Mar-11	2.9	15.0	16.4
Apr-11	1.6	15.1	16.3
May-11	1.0	16.0	16.4
Jun-11	3.0	17.0	16.4
Jul-11	1.9	17.6	16.4
Aug-11	1.8	17.2	16.3
Sep-11	1.8	16.9	16.2
<b>3-year average for September</b>	<b>1.6</b>	<b>15.7</b>	



*The WPI non food inflation (YoY) declined sharply to 17.0 percent in September 2011.*

WPI - Non Food (61.18% weight in basket) (percent change)			
	MoM	YoY	12M moving average
Sep-10	1.5	18.3	17.6
Oct-10	2.7	20.2	18.7
Nov-10	3.8	22.4	19.4
Dec-10	3.6	26.8	20.5
Jan-11	1.8	25.0	21.0
Feb-11	3.4	27.7	21.8
Mar-11	3.5	30.3	22.7
Apr-11	3.0	31.1	23.5
May-11	-2.1	26.3	23.8
Jun-11	-0.8	26.5	24.4
Jul-11	-1.8	22.0	24.6
Aug-11	-0.2	19.7	24.7
Sep-11	-0.7	17.0	24.5
<b>3-year average for September</b>	<b>0.5</b>	<b>12.8</b>	



Sources: Federal Bureau of Statistics



### CPI Inflation (YoY) by Groups

Sharp decline in CPI headline inflation (YoY) in September 2011 was primarily contributed by food group.

Groups	Weights	Sep-11			Aug-11		
		MoM	YoY	12m MA*	MoM	YoY	12m MA*
<b>I. Food Group</b>	<b>37.5</b>	<b>1.6</b>	<b>9.9</b>	<b>16.9</b>	<b>1.4</b>	<b>13.2</b>	<b>17.9</b>
Food & Non-Alcoholic Bev	34.8	1.7	9.7	17.2	1.5	13.2	18.3
Alcoholic Bev & Tobacco	1.4	0.5	7.6	8.8	0.3	7.2	9.3
Restaurant & Hotels	1.2	1.0	18.2	18.3	0.3	18.5	17.8
<b>II. Non-Food Group</b>	<b>62.5</b>	<b>1.4</b>	<b>10.9</b>	<b>10.6</b>	<b>1.4</b>	<b>10.4</b>	<b>10.5</b>
Clothing & Footwear	7.6	1.4	14.9	12.9	1.2	13.7	12.5
Housing Water, Elec, Gas Fuels	29.4	0.1	7.9	9.8	1.1	7.9	10.1
Furnishing & Household Equip. Maintenance etc	4.2	0.8	14.2	10.5	2.4	12.2	10.0
Health	2.2	1.4	11.5	9.2	1.7	10.5	8.8
Transport	7.2	0.8	14.9	12.5	1.9	14.4	12.3
Communication	3.2	0.0	2.1	8.2	-0.1	1.1	9.3
Recreation & Culture	2.0	0.3	5.3	5.0	0.2	5.8	5.1
Education	3.9	0.4	14.1	9.3	0.6	14.3	8.6
Misc	2.8	3.2	23.8	16.0	4.1	21.3	15.0
<b>Overall</b>	<b>100</b>	<b>1.0</b>	<b>10.5</b>	<b>13.2</b>	<b>1.4</b>	<b>11.6</b>	<b>13.5</b>

SPI inflation (WoW) declined in the fourth week of the September 2011 after rising sharply in the previous week.

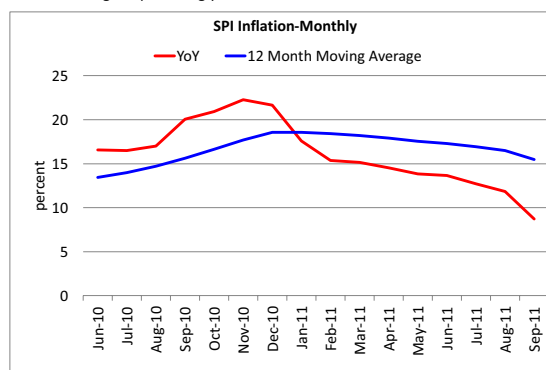
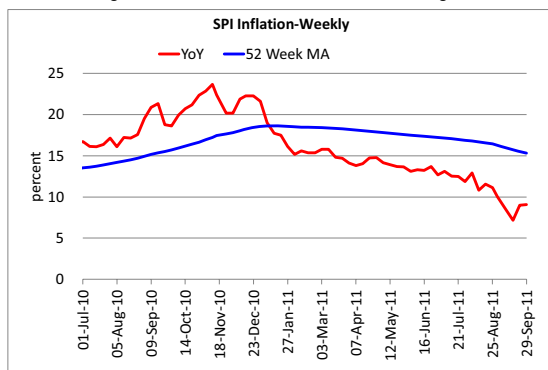
#### Sensitive Price Indicator (SPI) (percent change)

Income Groups	Percent change (WoW)				Sep-11		
	Current	Last week	Two weeks ago	Three weeks ago	MoM	YoY	12m MA*
	29-Sep-11	22-Sep-11	15-Sep-11	8-Sep-11			
<b>Up to Rs 8000</b>	0.09	0.37	-0.18	0.24	1.3	7.6	15.2
<b>Rs 8001-12000</b>	0.08	0.32	-0.20	0.05	1.1	8.1	15.3
<b>Rs 12001-18000</b>	0.08	0.32	-0.20	-0.08	0.9	8.3	13.6
<b>Rs 18001-35000</b>	0.06	0.27	-0.20	-0.22	0.7	8.6	16.5
<b>Above Rs 35000</b>	0.04	0.21	-0.18	-0.36	0.4	9.3	16.1
<b>All</b>	<b>0.06</b>	<b>0.27</b>	<b>-0.19</b>	<b>-0.19</b>	<b>0.7</b>	<b>8.7</b>	<b>15.5</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**

*Although trade deficit increased in August 2011, a record inflow of workers' remittances helped to contain deficit in overall balance of payments.*

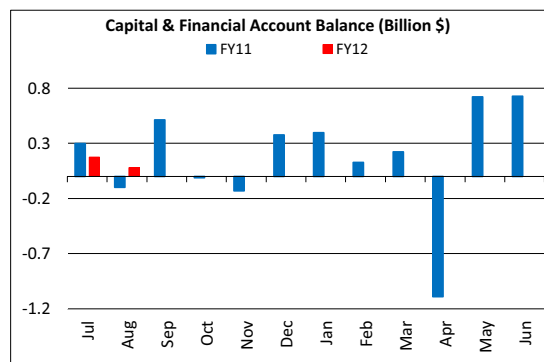
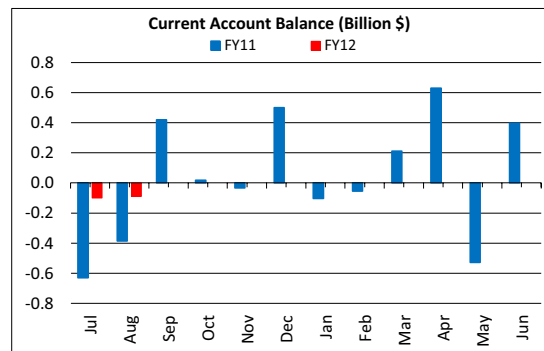
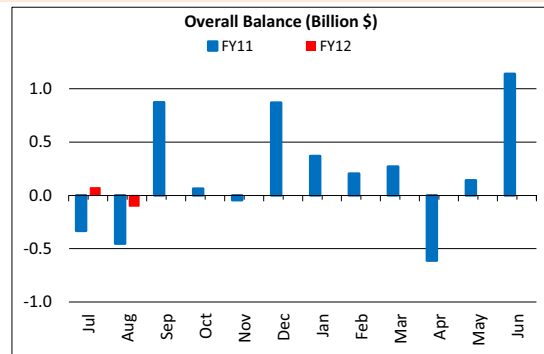
**Balance of Payments Summary (million \$)**

Items	Aug-11	Jul-Aug		FY11
		FY12	FY11	
<b>A) Current account</b>	<b>-89</b>	<b>-189</b>	<b>-1,016</b>	<b>437</b>
1. Trade balance	-1,387	-2,437	-2,387	-10,287
Exports	2,131	4,252	3,465	25,440
Imports	3,518	6,689	5,852	35,727
2. Services (net)	-184	-430	-501	-2,147
Receipts	395	760	615	5,473
Payments	579	1,190	1,116	7,620
3. Income (net)	-144	-365	-427	-2,952
Receipts	117	182	115	714
Payments	261	547	542	3,666
4. Current transfers (net)	1,626	3,043	2,299	15,823
Receipts: of which	1,630	3,058	2,307	15,905
Remittances	1,310	2,407	1,724	11,201
Payments	4	15	8	82
<b>B) Capital and financial account: of which</b>	<b>79</b>	<b>253</b>	<b>197</b>	<b>2,049</b>
1. Foreign investment	2	59	283	1,869
FDI (net) <sup>2</sup>	20	106	187	1,531
FPI	-18	-47	96	338
2. Foreign long term loans	-57	-117	-18	749
Disbursements	61	103	278	2,746
Amortization	118	220	296	1,997
<b>C) Errors &amp; omissions</b>	<b>-91</b>	<b>-92</b>	<b>33</b>	<b>7</b>
<b>Overall balance (A+B+C)</b>	<b>-101</b>	<b>-28</b>	<b>-786</b>	<b>2,493</b>
<b>SBP gross reserves<sup>1</sup></b>	<b>16,556</b>	<b>16,556</b>	<b>13,249</b>	<b>16,614</b>

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

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

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



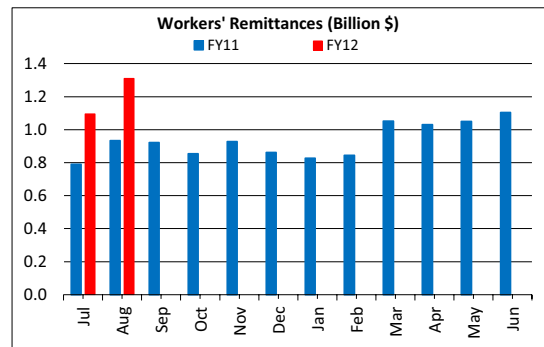
*Workers' remittances inflows surged to \$1.3 billion in August 2011, which is the highest ever inflow recorded in a month.*

**Workers' Remittances<sup>1</sup> (million \$)**

	Aug-11	Jul-Aug		FY11
		FY12	FY11	
<b>Total: of which</b>	<b>1,310</b>	<b>2,407</b>	<b>1,724</b>	<b>11,201</b>
USA	264	458	331	2,069
UK	164	282	194	1,200
Saudi Arabia	310	602	401	2,670
UAE	294	552	390	2,598
GCC <sup>2</sup>	134	251	210	1,306
Others	144	261	200	1,359

<sup>1</sup> Only cash, <sup>2</sup> Kuwait, Qatar, Bahrain and Oman

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



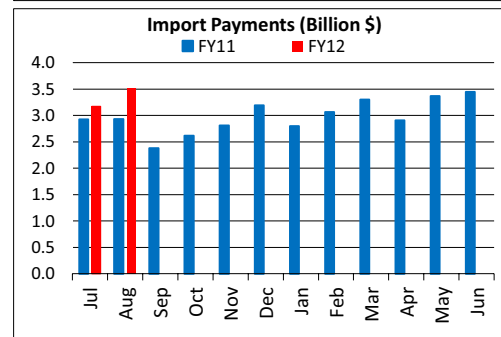
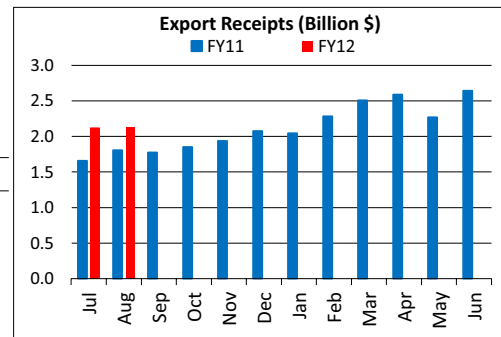
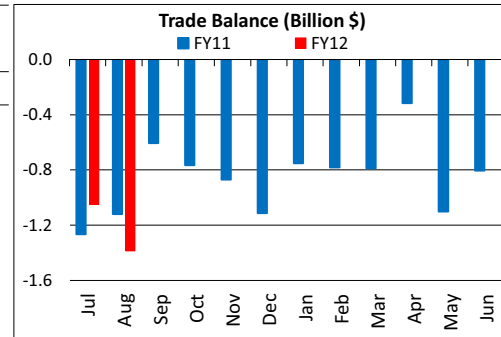


## Trade

*Trade deficit widened in August 2011 largely due to higher import payments led by substantial increase in import of both crude oil and petroleum products.*

Trade in Goods -Major Groups (million \$)

	Aug-11	Jul-Aug		Shares <sup>1</sup>
		FY12	FY11	
<b>Exports</b>	<b>2,131</b>	<b>4,252</b>	<b>3,465</b>	<b>100</b>
<b>Textile group</b>	<b>1,140</b>	<b>2,330</b>	<b>1,847</b>	<b>55</b>
Cotton cloth	206	441	329	10
Knitwear, bedwear	421	842	741	20
Readymade garments	130	239	171	6
<b>Other manufactures group</b>	<b>392</b>	<b>771</b>	<b>659</b>	<b>18</b>
Leather items <sup>2</sup>	86	165	141	4
Chemical and pharma	112	220	149	5
Cement	37	81	83	2
Engineering goods	37	72	97	2
<b>Food group</b>	<b>279</b>	<b>658</b>	<b>547</b>	<b>15</b>
Rice	146	305	360	7
<b>All Others</b>	<b>320</b>	<b>494</b>	<b>412</b>	<b>12</b>
<b>Imports</b>	<b>3,518</b>	<b>6,689</b>	<b>5,851</b>	<b>100</b>
<b>Petroleum group</b>	<b>1,723</b>	<b>2,893</b>	<b>2,037</b>	<b>43</b>
Petroleum products	1,094	1,909	1,459	29
Petroleum crude	630	985	578	15
<b>Machinery group</b>	<b>307</b>	<b>590</b>	<b>775</b>	<b>9</b>
Power machinery	45	84	222	1
Electrical machinery	38	75	77	1
<b>Agri. &amp; other chemicals group</b>	<b>485</b>	<b>1,062</b>	<b>950</b>	<b>16</b>
Fertilizer manufactured	35	115	176	2
Plastic materials	109	230	215	3
<b>Food group</b>	<b>333</b>	<b>779</b>	<b>712</b>	<b>12</b>
Palm oil	175	443	305	7
Sugar	0.4	2	149	0
<b>Metal group</b>	<b>204</b>	<b>384</b>	<b>392</b>	<b>6</b>
Iron steel (IS) & IS scrap	169	307	312	5
<b>All Others</b>	<b>466</b>	<b>980</b>	<b>986</b>	<b>15</b>

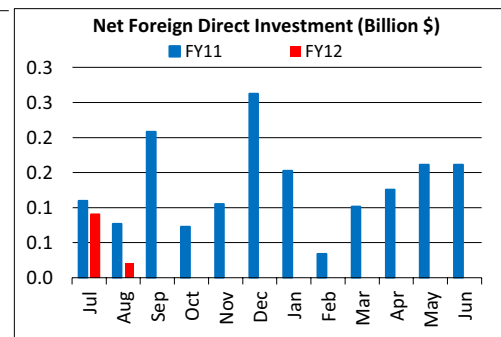


<sup>1</sup> Share is calculated as cumulative flow of a group(item) divided by total cumulative flow during FY12; <sup>2</sup> Include tanned and manufactured leather

*FDI inflows declined to \$21 million in August 2011, the lowest monthly inflow recorded in last 8 years.*

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

	Aug-11	Jul-Aug		FY11
		FY12	FY11	
<b>Total: Of which</b>	<b>21</b>	<b>112</b>	<b>187</b>	<b>1,574</b>
<b>Major countries</b>				
USA	13	33	24	239
UAE	33	63	51	284
UK	5	15	42	208
Hong Kong	1	2	5	126
<b>Major sectors</b>				
Communication	-49	-32	-16	-34
Financial service	0	2	6	247
Oil & gas exploration	21	51	65	512
Power	15	16	30	156
Trade	4	12	8	53



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

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



## Global Economy

**Reserve Bank of India further raised its policy rate in September 2011 in view of persistently rising inflation.**

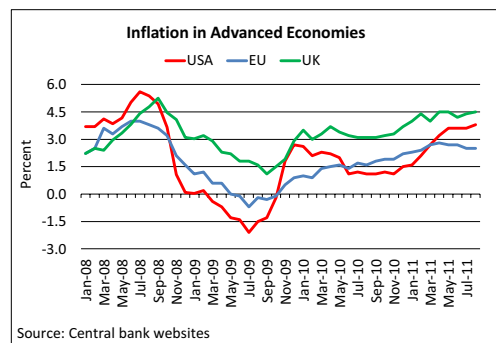
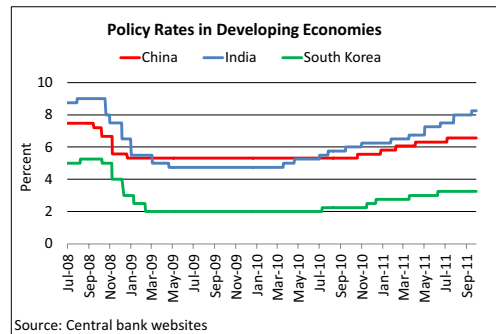
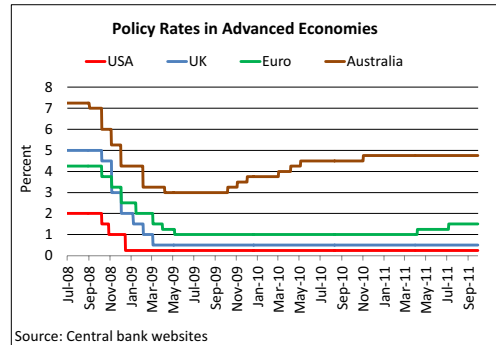
### Policy Rates in Major Economies

Major Economies	Current Policy Rate	Previous	Previous	Change (bps)
USA*	0.25	1.00	Dec 16 2008	↓ -75
UK	0.50	1.00	Mar 05 2009	↓ -50
ECB	1.50	1.25	Jul 07 2011	↑ 25
Japan*	0.10	0.30	Dec 20 2008	↓ -20
Canada	1.00	0.75	Sep 08 2010	↑ 25
Australia	4.75	4.50	Nov 02 2010	↑ 25
China	6.56	6.31	Jul 07 2011	↑ 25
India	8.25	8.00	Sep 16 2011	↑ 25
South Korea	3.25	3.00	Jun 10 2011	↑ 25
Malaysia	3.00	2.75	May 05 2011	↑ 25
Indonesia	6.75	6.50	Feb 04 2011	↑ 25
Thailand	3.50	3.25	Aug 24 2011	↑ 25

**GDP growth in US, Euro Area, Japan and Philippines slowed down in third quarter of 2011.**

### Key Macroeconomic Indicators

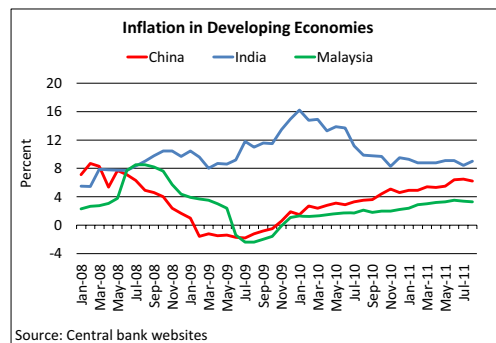
	Inflation (YoY) <sup>1</sup>	GDP Growth <sup>2</sup>	Current Account Balance	Fiscal Balance
	Aug-11	Q2-2011	as a percentage of GDP (Q2-2011)	
USA	3.8	1.6	-3.3	-9.0
UK	4.5	0.7	-1.8	-9.1
Euro Area	2.5	1.6	-0.4	-4.2
Japan	0.2	-1.1	2.3	-8.4
Australia	3.6 (Jun-11)	1.4	-2.3	-2.6
China	6.2	9.5	3.7	-2.1
India	9.0	7.7	-3.5	-4.7
Sri Lanka	6.4 (Sep-11)	7.9 (Q1-11)	-	-
South Korea	4.3 (Sep-11)	3.4	3.0	1.6
Malaysia	3.3	4.0	9.8	-6.9
Indonesia	4.61 (Sep-11)	6.5	1.1	-1.2
Thailand	4.03 (Sep-11)	2.6	2.1	-3.1



**IMF lowered its projection for growth in advanced economies, except for Japan, and emerging economies like China and India.**

### World Economic Outlook - Real GDP Growth

	2010 (IMF Estimated)	2011 Projections		
		IMF (Sep-11)	World Bank (Jun-11)	OECD (Jun-11)
<b>World output</b>	<b>5.1</b>	<b>4.0</b>	<b>3.2</b>	-
<b>Advance</b>	<b>3.0</b>	<b>1.6</b>	<b>2.2</b>	-
US	2.9	1.5	2.6	2.6
Euro area	1.8	1.6	1.7	2.0
Japan	4	-0.7	0.1	-0.9
UK	1.3	1.1	-	1.4
<b>Emerging &amp; Developing</b>	<b>7.4</b>	<b>6.4</b>	<b>6.3</b>	-
Russia	4.0	4.3	4.4	4.2
China	10.3	9.5	9.3	9.7
India	10.4	7.8	8.0	8.2
ASEAN-5	6.9	5.3	-	-



\* 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 maintained downtrend due to increased uncertainty about revival of economic activity in advanced economies.**

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

	Sep-11	% change since	
		Last month	End Jun-11
Global CPI	188.3	↑ 0.82	↓ -3.50
Food CPI	178.6	↓ -3.21	↓ -2.99
Commodity non-fuel CPI	185.7	↓ -2.89	↓ -4.28
Metal CPI	224.1	↓ -3.75	↓ -4.93
Crude Oil (\$/bbl)	100.8	↑ 0.37	↓ -5.09
Palm oil (\$/m. ton)	995.2	↓ -5.00	↓ -7.50
Soya bean Oil (\$/m. ton)	1218.9	↓ -0.52	↓ -2.50
Wheat (\$/m. ton)	315.9	↓ -3.41	↓ -3.23
Gold spot (\$/Oz)	1637.9	↓ -0.85	↑ 9.16
Sugar (US cents/pound)	39.3	↓ -0.83	↑ 11.85

Source: IMF-IFS

**Low growth prospects for the global economy has significantly affected the performance of global stock markets.**

### Capital Market Indices

	Latest - October 07, 2011	% change since	
		Last month	End Jun-11
US (DJIA)	11103.1	↓ -1.6	↓ -7.0
DJ EURO STOXX	2269.2	↑ 2.6	↓ -16.4
UK (FTSE 100)	5303.4	↑ 2.1	↓ -6.9
Japan (Nikkei 225)	8605.6	↓ -1.1	↓ -11.1
China (SSEA)	2359.2	↓ -0.1	↓ -14.2
France (CAC 40)	3095.6	↑ 3.8	↓ -18.2
Germany (DAX)	5675.7	↑ 0.6	↓ -20.3
India (BSE)	16232.5	↓ -2.79	↓ -11.0
World dev'd (MSCI) <sup>2</sup>	1200.3	↓ -3.2	↓ -9.5
Emerging Markets (MSCI) <sup>3</sup>	1024.5	↓ -7.2	↓ -15.7
World all (MSCI) <sup>3</sup>	307.9	↓ -3.7	↓ -10.3

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

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

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

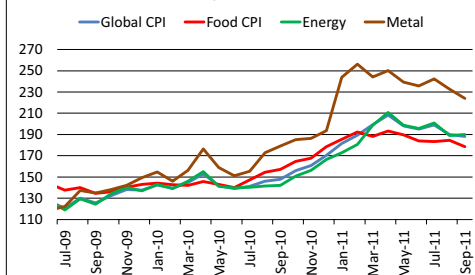
<sup>4</sup> **30 Yr Bond** = \$300 M (30 Yr US T bill+302 bps=>**7.875%**): Issued - Mar 24, 2006: Maturity - Mar 23, 2036

**10 Yr Bond (1)** = \$750 M (10 Yr US T bill+200 bps=>**6.875%**): Issued - Jun 1, 2007: Maturity - May 31, 2017

**10 Yr Bond (2)** = \$500 M (10 Yr US T bill+240 bps=>**7.125%**): Issued - Mar 24, 2006: Maturity - Mar 23, 2016

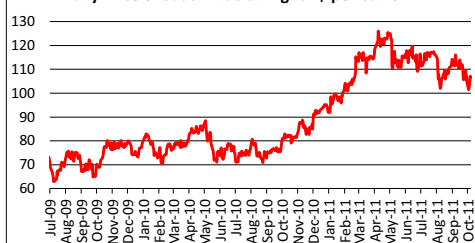
Sources: Bloomberg, IMF, OECD, The Economist and Central Bank Websites

Trends in Commodity Price Indices (2005=100)



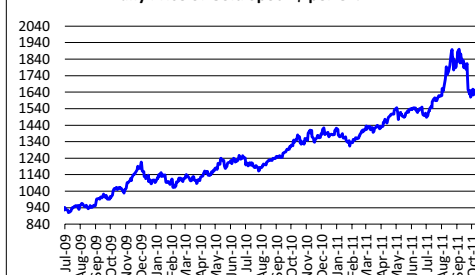
Source: IMF-IFS

Daily Price of Saudi Arabian Light - \$ per barrel



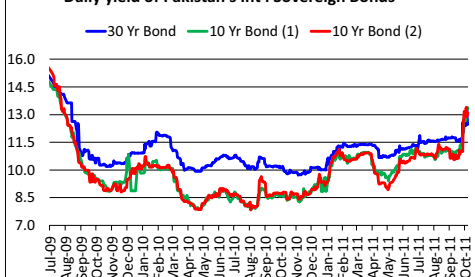
Source: Energy Information Administration

Daily Price of Gold Spot - \$ per Oz.



Source: Bloomberg

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



Source: Bloomberg

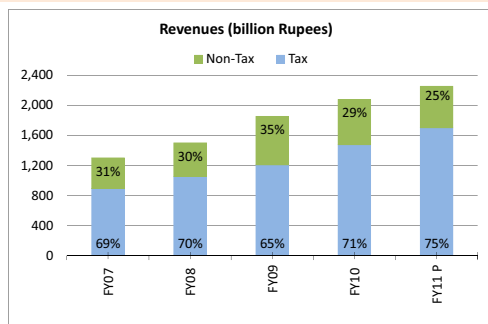


## Revenues, Expenditures and Fiscal Balances

*Rise in expenditures and a shortfall in revenue collection have contributed towards breach of (revised) fiscal deficit target for FY11.*

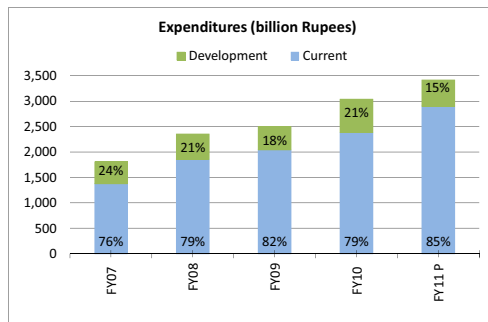
### Revenues (billion Rs)

	FY12	FY11		FY10 <sup>3</sup>
	BE <sup>1</sup>	BE <sup>2</sup>	Actual	
<b>Total revenues</b>	<b>2871</b>	<b>2574</b>	<b>2253</b>	<b>2078</b>
Tax revenue	-	1859	1699	1473
Growth (YoY) %	-	-	15.4	10.7
of which: FBR revenues*	1952	1667	1550	1327
Non-tax revenues	-	716	554	605
Growth (YoY) %	-	-	-8.6	16.4



### Expenditures (billion Rs)

	FY12	FY11		FY10 <sup>3</sup>
	BE <sup>1</sup>	BE <sup>2</sup>	Actual	
<b>Total expenditures</b>	<b>3721</b>	<b>3259</b>	<b>3447</b>	<b>3007</b>
Current <sup>4</sup>	-	2519	2901	2354
Growth (YoY) %	-	-	23.2	13.4
Interest payments	791	-	698	642
Defence	-	-	451	375
Development & net lending	-	740	514	653
Growth (YoY) %	-	-	-21.3	43.2



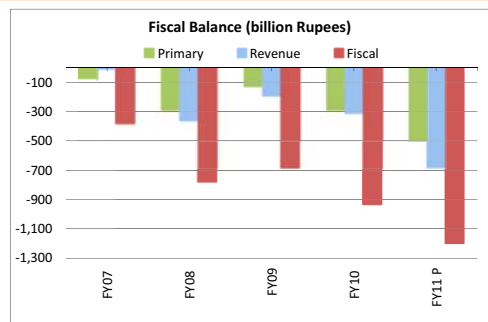
### Overall Balance (billion Rs)

	FY12	FY11		FY10 <sup>3</sup>
	BE <sup>1</sup>	BE <sup>2</sup>	Actual	
<b>Fiscal Balance<sup>5</sup></b>	<b>-850</b>	<b>-685</b>	<b>-1,194</b>	<b>-929</b>
Revenue Balance <sup>6</sup>	-	-	-680	-308
Primary Balance <sup>7</sup>	-	-	-496	-287

*Government's reliance on domestic sources for financing, especially from the scheduled commercial banks, increased substantially due to less than expected receipts from external sources on top of breach in fiscal deficit target.*

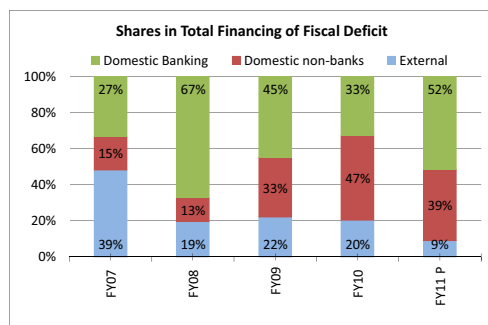
### Financing of Fiscal Deficit (billion Rs)

	FY12	FY11		FY10 <sup>3</sup>
	BE <sup>1</sup>	BE <sup>2</sup>	Actual	
<b>Financing</b>	<b>851</b>	<b>685</b>	<b>1194</b>	<b>929</b>
1. External	135	186	108	189
2. Domestic: of which	716	499	1087	740
Non-bank	-	333	472	436
Banking system: of which	-	166	615	305
Schedule Banks	-	166	647	263
SBP	-	0	-32	42
Privatization proceeds	-	-	-	-



### FBR Tax Collection (billion Rs)

	Direct	Sales	Customs	FED <sup>8</sup>	Total taxes
Oct-10	34	47	12	10	104
Nov-10	33	46	13	11	103
Dec-10	78	56	17	10	162
Jan-11	37	47	14	11	108
Feb-11	37	45	14	10	106
Mar-11	66	49	18	11	144
Apr-11	50	52	15	13	130
May-11	47	79	18	16	160
Jun-11	121	77	25	17	241
Jul-11	29	62	12	10	112
Aug-11	30	56	14	10	111
Sep-11	60	56	16	9	141
<b>Jul-Sep FY12<sup>9</sup></b>	<b>119</b>	<b>175</b>	<b>43</b>	<b>28</b>	<b>364</b>
Jul-Sep FY11	96	134	37	27	293



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

<sup>1</sup> Budget Estimates: total revenues and expenditures are computed by using their GDP ratios published in Medium Term Budgetary Statement; <sup>2</sup> As announced in Federal Budget for FY11; <sup>3</sup> Final numbers from Consolidated Fiscal Accounts; <sup>4</sup> Inclusive of unidentified expenditures; <sup>5</sup> Fiscal balance = total revenue - total expenditure; <sup>6</sup> Revenue balance = total revenue - current expenditure; <sup>7</sup> Primary balance = total revenue - total expenditure + interest payment; <sup>8</sup> Federal excise duty; <sup>9</sup> Provisional Figures.



## Government Domestic Debt

*Government's domestic debt witnessed a marginal decline in July 2011.*

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

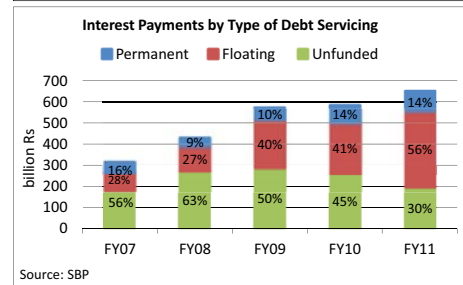
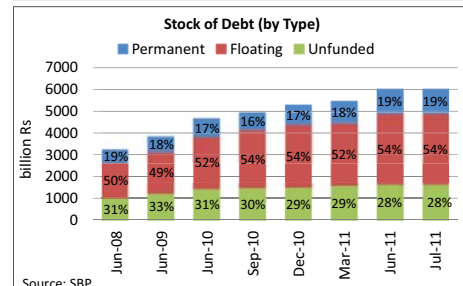
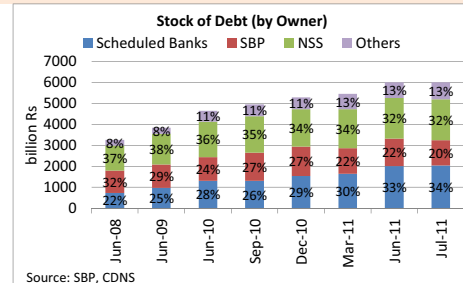
	Jul-11	FY11	Change since FY11
Bank	3,253.9	3,328.1	-74.3
Commercial banks	2,038.1	2,007.5	30.6
SBP	1,215.8	1,320.6	-104.9
Non-bank	2,759.9	2,686.4	73.6
National Saving Schemes (NSS)	1,951.1	1,931.7	19.4
Others	808.8	754.6	54.2
Foreign Currency Instruments <sup>1</sup>	1.4	1.4	0
<b>Total</b>	<b>6,015.2</b>	<b>6,015.9</b>	<b>-0.7</b>

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

	Jul-11	FY11	Change since FY11
Long term	2,798.5	2,779.1	19.4
Permanent: of which	1,127.2	1,124.4	2.8
PIBs	618.5	618.5	0.0
Prize bonds	279.9	277.1	2.8
Unfunded: of which	1,671.2	1,654.7	16.6
NSS <sup>2</sup>	1,559.7	1,543.2	16.5
Short term (floating): of which	3,215.3	3,235.4	-20.1
MTBs	1,945.6	1,917.9	27.7
MRTBs-replenishment	1,212.6	1,317.5	-104.9
Foreign Currency Instruments <sup>1</sup>	1.4	1.4	0
<b>Total</b>	<b>6,015.2</b>	<b>6,015.9</b>	<b>-0.7</b>

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

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



*Interest payments on floating debt accounted for almost half of the total debt servicing in July 2011.*

### Debt Servicing (billion Rs)

	FY11	Change since FY10 (%)	Jul-11	FY10
Permanent <sup>3</sup>	91.8	23.6	12.0	74.3
Floating	361.4	49.9	21.7	241.1
Unfunded	194.7	-25.7	19.1	262.1
<b>Total</b>	<b>647.9</b>	<b>12.2</b>	<b>52.8</b>	<b>577.5</b>

### Indicators of Domestic Debt Sustainability

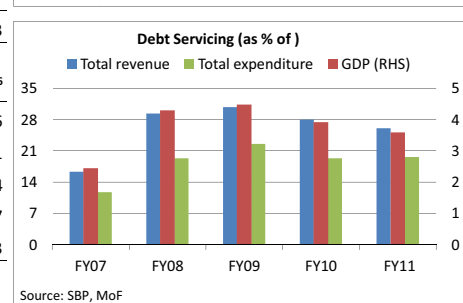
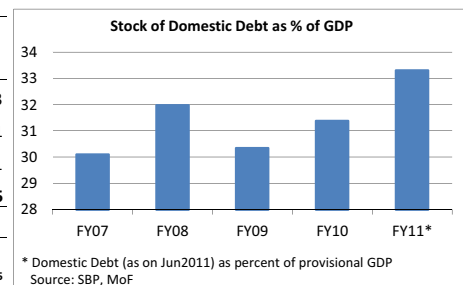
Debt Stock as % of GDP					
	FY07	FY08	FY09 <sup>4</sup>	FY10 <sup>4</sup>	FY11 <sup>5</sup>
	30.1	32.0	30.3	31.4	33.3
Debt Servicing as % of					
	FY07	FY08	FY09 <sup>4</sup>	FY10 <sup>4</sup>	FY11 <sup>6</sup>
GDP	2.4	4.3	4.5	3.9	3.6
Total revenue	16.3	29.4	30.8	28.0	26.1
Tax revenue	23.8	41.9	47.3	39.5	34.4
Total expenditure	11.8	19.3	22.5	19.3	19.7
Current expenditure	15.4	23.8	27.9	24.4	22.3

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

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

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

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





## External Debt

Stock of external debt increased in FY11.

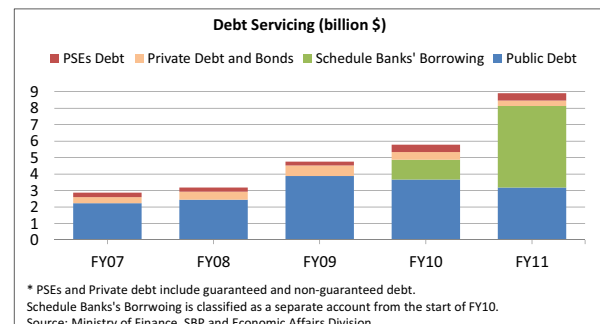
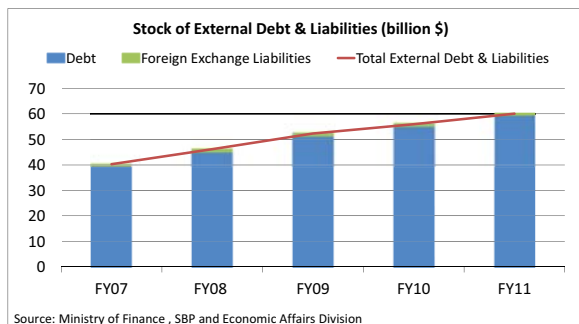
Debt & Liabilities - end period stocks (million \$)				Debt Servicing (million \$)			
Items	FY10 <sup>1</sup>	FY11 <sup>1</sup>	Change	Items	FY10 <sup>1</sup>	FY11 <sup>1</sup>	Change
1. Public debt (a+b+c)	52,107	56,315	4,208	1. Public debt (a+b+c)	3,672	3,185	(487)
a) Government Debt	42,908	46,375	3,467	a) Government debt	3,134	2,606	(528)
i) Medium and long term (>1 yr)	42,115	45,767	3,652	Principal	2,403	1,848	(555)
Paris club	13,958	15,462	1,504	Interest	731	758	27
Multilateral	23,694	25,837	2,143	b) From IMF	359	442	82
Other bilateral	1,782	1,925	143	Principal	240	268	28
Euro/Sukuk global bonds	1,550	1,550	0	Interest	120	174	54
Military debt	167	135	-32	c) Foreign exchange liabilities	178	137	(42)
Commercial loans/credits	0	0	0	Principal	152	122	(30)
Local currency bonds (TBs & PIBs)	64	58	-6	Interest	27	15	(12)
Saudi fund for development. (SFD)	200	200	0	2. PSEs guaranteed debt	157	158	1
SAFE China deposits	500	500	0	Principal	123	141	18
NBP/BOC deposits	200	100	-100	Interest	34	17	(17)
ii) Short term (<1 yr)	793	608	-185	3. PSEs non-guaranteed debt	297	290	(7)
IDB	793	608	-185	Principal	270	260	(9)
b) From IMF	8,077	8,940	863	Interest	27	30	3
i) Federal government	1,055	1,997	942	4. Scheduled banks' borrowing	1,204	4,942	3,738
ii) Central bank	7,022	6,943	-79	Principal	1,196	4,936	3,740
c) Foreign exchange liabilities (FEL)	1,122	1,000	-122	Interest	8	6	(2)
2. PSE guaranteed debt	159	84	-75	5. Private guaranteed debt	51	0	(51)
3. PSE non-guaranteed debt	1,087	975	-112	6. Private non-guaranteed debt	383	317	(66)
4. Scheduled banks' borrowing	193	239	46	Principal	325	253	(72)
i) Medium and long term (>1 yr)	118	104	-14	Interest	58	64	6
ii) Short term (<1 year)	75	135	60	7. Private non-guaranteed bonds	23	5	(18)
5. Private guaranteed debt	0	0	0	Principal	13	0	(13)
6. Pvt. non-guaranteed debt (>1 yr)	2,231	2,379	148	Interest	10	5	(5)
7. Private non-guaranteed bonds	124	124	0	<b>Total external debt servicing</b>			
<b>Total external debt (excl. FEL)</b>	<b>54,779</b>	<b>59,116</b>	<b>4,337</b>	<b>(1+2+3+4+5+6+7)</b>	<b>5,787</b>	<b>8,897</b>	<b>3,110</b>
<b>Total external debt &amp; liabilities</b>				Principal	4,772	7,829	3,057
<b>(1+2+3+4+5+6+7)</b>	<b>55,901</b>	<b>60,116</b>	<b>4,215</b>	Interest	1,015	1,068	53

<sup>1</sup>Provisional

Debt stock as percent of GDP has declined, while debt servicing as percent of GDP has increased in FY11.

### Indicators of External Debt Sustainability

	Debt Stock as % of						Debt Servicing as % of					
	FY06	FY07	FY08	FY09	FY10	FY11	FY06	FY07	FY08	FY09	FY10	FY11
<b>GDP</b>	29.4	28.1	30.8	33.4	32.2	28.6	2.3	2.0	2.1	3.0	3.3	4.3
<b>Reserves</b>	273.5	249.3	390.1	408.5	322.4	314.4	21.9	17.3	27.5	37.0	34.2	46.5
<b>Exports</b>	218.2	229.8	233.4	285.5	281.2	236.1	17.5	16.6	15.6	24.8	29.4	34.9



Sources: Economic Affairs Division and SBP



## Total Debt

Increase in both domestic and external debt contributed towards the rise in total debt stock in FY11.

### Total Debt Stock (billion Rs)

	FY11	FY10	Change	Share
<b>Total Debt &amp; Liabilities (I to VIII)</b>	<b>11,996.3</b>	<b>10,221.2</b>	<b>1,775.1</b>	<b>100.0</b>
<b>Total Public Debt (I to IV)</b>	<b>10,858.4</b>	<b>9,107.3</b>	<b>1,751.1</b>	<b>90.5</b>
<b>Total External Debt &amp; Liabilities (II to VI)</b>	<b>5,169.4</b>	<b>4,777.6</b>	<b>391.8</b>	<b>43.1</b>
<b>Commodity Operations &amp; PSEs Debt (VI to VIII)</b>	<b>902.1</b>	<b>896.1</b>	<b>6.0</b>	<b>7.5</b>
<i>I. Government Domestic Debt</i>	6,015.9	4,654.0	1,361.9	50.1
<i>II. Government External Debt<sup>1</sup></i>	3,987.8	3,667.1	320.7	33.2
<i>III. Debt from IMF</i>	768.70	690.3	78.4	6.4
<i>IV. External Liabilities</i>	86.0	95.9	-9.9	0.7
<i>V. Private Sector External Debt</i>	235.8	217.8	18.0	2.0
<i>VI. PSEs External Debt</i>	91.1	106.5	-15.4	0.8
<i>VII. PSEs Domestic Debt</i>	411.5	375.0	36.5	3.4
<i>VIII. Commodity Operations Debt<sup>2</sup></i>	399.5	414.6	-15.1	3.3

### Total Debt Servicing (billion Rs)

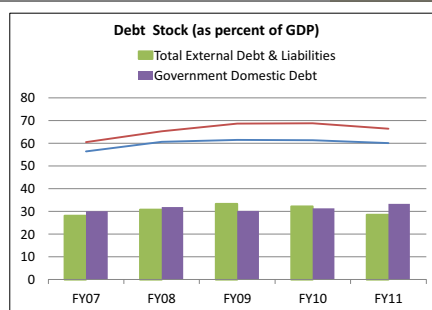
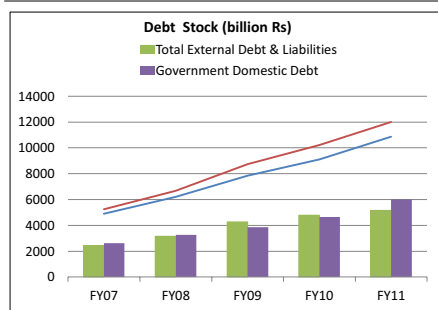
	FY11	FY10	Change
<b>Total Debt Servicing</b>	<b>1473.7</b>	<b>1082.5</b>	<b>391.2</b>
Total Interest Payment	804.3	678.9	125.4
<i>Domestic Debt</i>	648.0	577.7	70.3
<i>External Debt</i>	90.0	83.6	6.4
<i>External Liabilities<sup>3</sup></i>	1.3	2.3	-1.0
<i>Domestic Liabilities</i>	65.0	15.3	49.7
Principal Repayment of External Debt & Liabilities	669.4	403.6	265.8

### Debt stock (as percent of GDP)

	FY08	FY09	FY10	FY11
<b>Total Debt &amp; Liabilities</b>	<b>65.3</b>	<b>68.7</b>	<b>68.9</b>	<b>66.4</b>
Total Public Debt	60.7	61.5	61.4	60.1
Total External Debt & Liabilities	30.8	33.4	32.2	28.6
Government Domestic Debt	32.0	30.3	31.4	33.3
Commodity Operations & PSEs Debt & Liabilities	3.4	5.6	6	5.0

### Debt servicing (as a percent of)

	FY08	FY09	FY10	FY11
Tax revenue	61.6	80.5	73.5	78.3
Total revenue	43.2	52.4	52.1	59.3
Total expenditure	28.4	38.3	36.0	44.7
Current expenditure	34.8	47.5	45.4	50.6
GDP	6.3	7.6	7.3	8.2



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

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





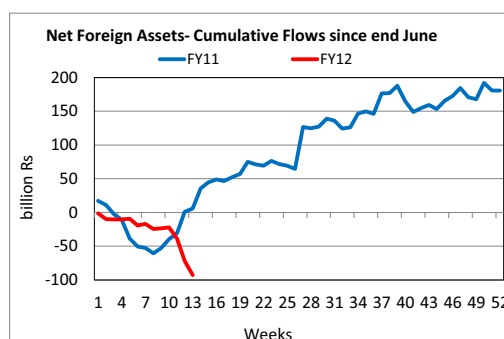
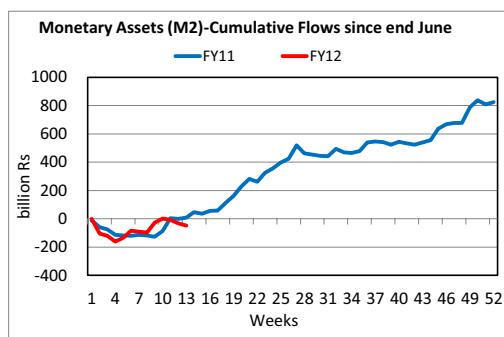
## Monetary and Credit Aggregates

*Contraction in broad money supply (M2) during 1st Jul-24th Sep FY12 is primarily due to a significant reduction in NFA of the banking system.*

### Monetary Assets of Banking System

(billion Rs)

	End June 2011 Stocks	Cumulative Flows since end June		FY11
		Latest week	A year ago	
		24-Sep-11	24-Sep-10	
<b>NFA</b>	<b>780.4</b>	<b>-92.6</b>	<b>5.7</b>	<b>235.1</b>
<b>NDA</b>	<b>5914.8</b>	<b>44.2</b>	<b>2.7</b>	<b>682.9</b>
<b>Government borrowings: of wh.</b>	<b>3020.5</b>	<b>236.8</b>	<b>200.3</b>	<b>579.6</b>
Budgetary borrowing	2601.6	243.7	227.4	590.2
Commodity operations	397.5	-4.9	-26.3	-15.7
<b>Non-govt. sect. borrowings: of wh.</b>	<b>3546.8</b>	<b>-70.7</b>	<b>-82.0</b>	<b>158.0</b>
Private sector	3141.2	-89.5	-78.0	121.3
PSEs	387.6	18.2	-4.3	36.3
<b>Other items (net)</b>	<b>-652.6</b>	<b>-121.9</b>	<b>-115.5</b>	<b>-54.8</b>
<b>M2</b>	<b>6695.2</b>	<b>-48.4</b>	<b>8.4</b>	<b>918.0</b>

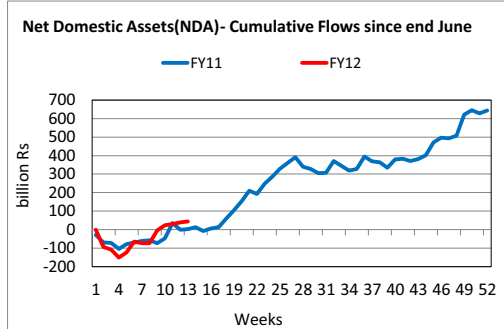


### Monetary Liabilities of Banking System

<b>Currency in circulation</b>	<b>1501.4</b>	<b>69.8</b>	<b>113.6</b>	<b>206.0</b>
<b>Total deposits with banks</b>	<b>5183.6</b>	<b>-117.3</b>	<b>-106.9</b>	<b>708.5</b>
Demand deposits with banks	4123.5	-143.5	-136.9	529.5
Time deposits with banks	685.2	26.1	18.6	149.5
RFCDs with banks	374.9	0.0	11.5	29.5
<b>M2</b>	<b>6695.2</b>	<b>-48.4</b>	<b>8.4</b>	<b>918.0</b>

### Percent Growth in Monetary Assets of Banking System

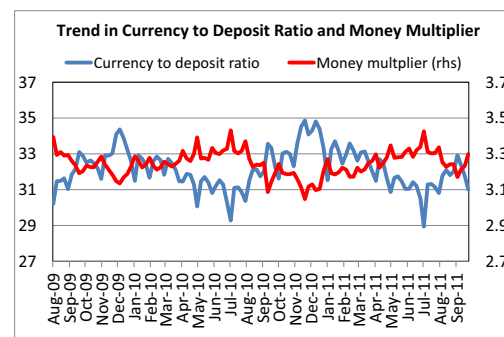
	YoY (24-Sep-11)	Since end June		FY11
		24-Sep-11	24-Sep-10	
<b>NFA</b>	<b>24.8</b>	<b>-11.9</b>	<b>1.0</b>	<b>43.1</b>
<b>NDA</b>	<b>13.8</b>	<b>0.7</b>	<b>0.1</b>	<b>13.1</b>
<b>Government borrowings</b>	<b>23.3</b>	<b>7.8</b>	<b>8.2</b>	<b>23.7</b>
Budgetary borrowing	27.1	9.4	11.3	29.3
Commodity operations	1.5	-1.2	-6.4	-3.8
<b>Non-government sector borrowings</b>	<b>5.1</b>	<b>-2.0</b>	<b>-2.4</b>	<b>4.7</b>
Private sector	3.7	-2.9	-2.6	4.0
PSEs	17.0	4.7	-1.2	10.3
<b>Other items (Net)</b>	<b>8.6</b>	<b>18.7</b>	<b>19.3</b>	<b>9.2</b>
<b>M2</b>	<b>14.9</b>	<b>-0.7</b>	<b>0.1</b>	<b>15.9</b>



### Memorandum Items

(billion Rs)

	Latest week	A year ago	FY11
	24-Sep-11	24-Sep-10	
Money multiplier	3.3	3.2	3.4
Currency to deposit ratio	31.0	32.3	29.0
M2 to GDP ratio	31.7	32.0	37.1
Private sector credit to GDP ratio	14.5	16.3	17.4



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

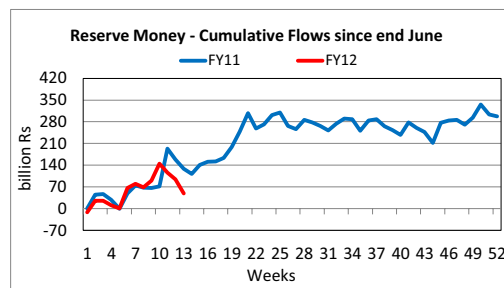


**Expansion in reserve money decelerated considerably due to both restrained government borrowings from SBP and contraction in NFA of the SBP.**

**Monetary Assets of SBP**

(billion Rs)

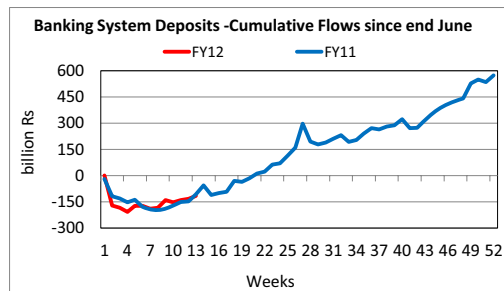
	End June 2011 Stocks	Cumulative Flows		FY11 (Provisional)
		Latest week	A year ago	
		24-Sep-11	24-Sep-10	
<b>NFA</b>	<b>614.1</b>	<b>-56.8</b>	<b>-5.7</b>	<b>235.4</b>
<b>NDA: of which</b>	<b>1351.7</b>	<b>106.0</b>	<b>133.7</b>	<b>51.1</b>
Budgetary borrowing	1200.7	-3.9	220.3	-8.0
Other items (net)	-179.7	149.4	-62.5	51.3
Net Impact of OMOs/Discounting	63.7	190.8	-19.6	55.9
<b>Reserve money</b>	<b>1965.8</b>	<b>49.2</b>	<b>128.0</b>	<b>286.6</b>



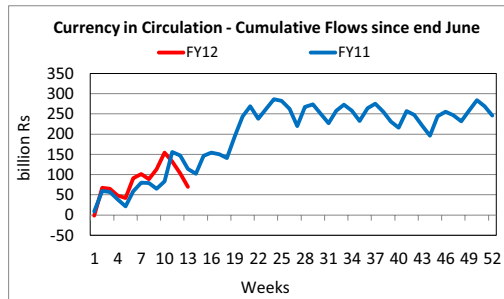
**Monetary Liabilities of SBP**

(billion Rs)

	End June 2011 Stocks	Cumulative Flows		FY11
		Latest week	A year ago	
		24-Sep-11	24-Sep-10	
Currency in circulation	1501.4	69.8	113.6	206.0
Cash in tills	104.9	1.0	-4.5	17.2
Bank deposits with SBP (reserves)	349.4	-20.7	17.2	59.9
Other deposits with SBP	10.1	-0.9	1.7	3.5



	YoY		Percent growth	
	(24-Sep-11)	(24-Sep-10)		
<b>NFA of the SBP</b>	<b>49.4</b>	<b>-9.2</b>	<b>-1.5</b>	<b>62.2</b>
<b>NDA of the SBP: of which</b>	<b>1.6</b>	<b>7.8</b>	<b>10.3</b>	<b>3.9</b>
Budgetary borrowing	-16.2	-0.3	18.2	-0.7
Other items (net)	-89.7	-83.1	27.0	-22.2
<b>Reserve money</b>	<b>11.5</b>	<b>2.5</b>	<b>7.6</b>	<b>17.1</b>

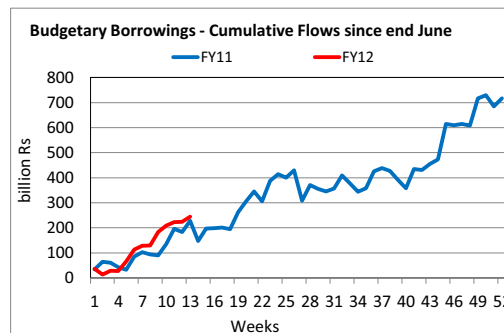


**Government met its budgetary requirements through increased borrowings from the scheduled banks.**

**Details on Government Borrowing for Budgetary Support**

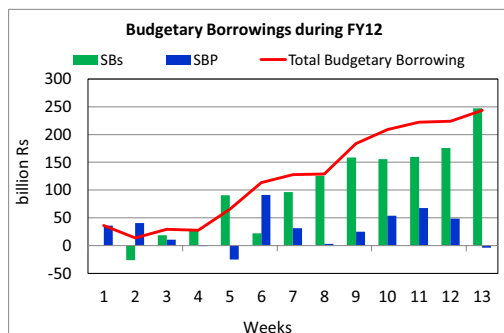
(billion Rs)

	End June 2011 Stocks	Cumulative Flows		FY11
		Latest week	A year ago	
		24-Sep-11	24-Sep-10	
<b>Budgetary Borrowing</b>	<b>2601.6</b>	<b>243.7</b>	<b>227.4</b>	<b>590.2</b>
<b>Federal government</b>	<b>2903.5</b>	<b>191.1</b>	<b>240.4</b>	<b>714.8</b>
From SBP	1239.8	-33.3	238.2	98.0
SBP's Holdings of MRTBs	1317.5	-83.8	225.4	192.6
From SBs	1663.7	224.4	2.2	616.7
<b>Provincial governments</b>	<b>-301.9</b>	<b>52.6</b>	<b>-13.0</b>	<b>-124.6</b>
From SBP <sup>1</sup>	-39.1	29.4	-17.9	-106.0
From SBs <sup>2</sup>	-262.8	23.2	4.9	-18.6



**Memorandum Items**

<b>Cash basis</b>	<b>2523.3</b>	<b>225.1</b>	<b>218.1</b>	<b>588.7</b>
SBP	1154.5	-5.1	220.0	-16.9
SBs	1368.8	230.2	-1.9	605.7



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

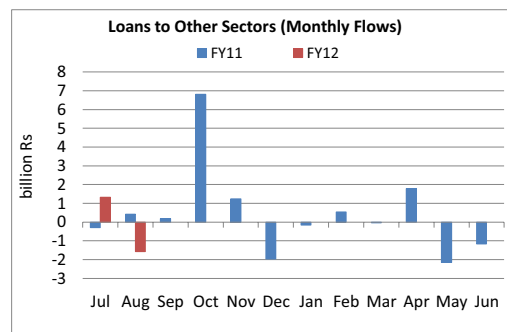
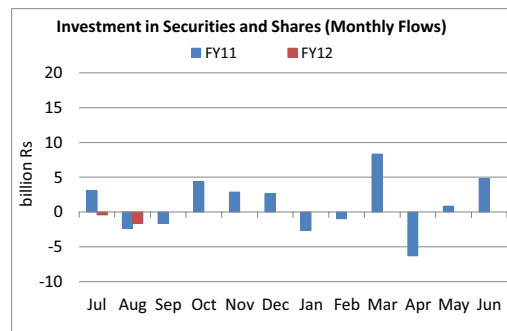
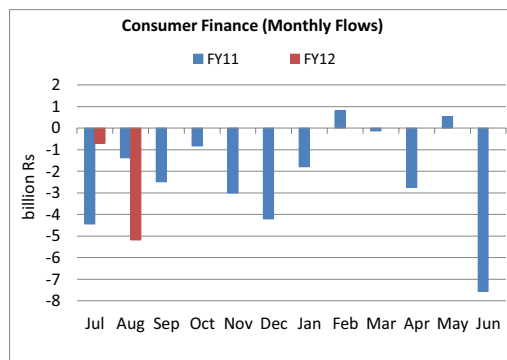
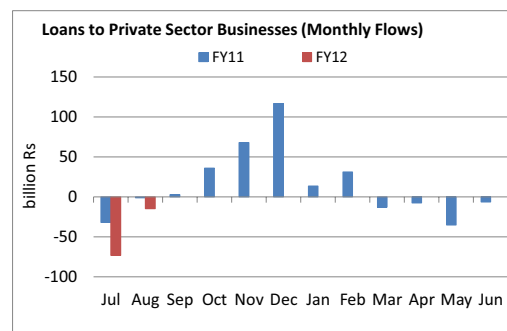
<sup>2</sup> The end-June 2010 net stock of borrowings was negative as provincial governments' deposits with scheduled banks exceeded their borrowings.



**Retirement of private sector credit accelerated in first two months of FY12 as the usual seasonal pattern was reinforced by healthy profitability of corporate sector (textiles and sugar mainly).**

**Credit to Private Sector**

	End June 2011 Stocks	Flows during Jul-Aug (billion Rs)		
		Jul-Aug FY12	Jul-Aug FY11	FY11
<b>Total credit to private sector</b>	<b>3141.2</b>	<b>-84.2</b>	<b>-45.8</b>	<b>121.3</b>
<b>1. Loans to private sector businesses</b>	<b>2431.8</b>	<b>-88.2</b>	<b>-33.0</b>	<b>173.2</b>
<b>By type</b>				
Working capital: of which	1582.2	-66.9	-30.7	163.5
Export finance	266.8	-19.8	-8.2	27.0
Import finance	134.7	2.2	6.2	29.7
Fixed investment	849.6	-21.2	-2.3	9.7
<b>By Sectors: of which</b>				
<b>Agriculture</b>	<b>180.5</b>	<b>↑ 4.0</b>	<b>↑ 1.8</b>	<b>↑ 11.0</b>
<b>Manufacturing: of which</b>	<b>1385.4</b>	<b>↓ -66.4</b>	<b>↓ -24.5</b>	<b>↑ 121.9</b>
Textiles	514.7	↓ -30.0	↓ -10.9	↑ 44.5
Food products & beverages	275.3	↓ -41.1	↓ -31.6	↑ 61.0
Chemicals & products	158.1	↓ -6.6	↑ 5.8	↑ 1.3
Non-metallic mineral products	94.8	↑ 1.6	↑ 2.6	↓ -7.9
Wearing apparel, readymade gar	50.0	↓ -1.8	↓ -0.3	↑ 1.8
<b>Electricity, gas and water</b>	<b>269.4</b>	<b>↑ 0.7</b>	<b>↑ 0.3</b>	<b>↑ 53.9</b>
<b>Construction</b>	<b>67.7</b>	<b>↓ -3.1</b>	<b>↓ -0.8</b>	<b>↑ 0.6</b>
<b>Commerce and trade</b>	<b>213.7</b>	<b>↓ -9.8</b>	<b>↓ -3.3</b>	<b>↓ -16.0</b>
<b>Transport, storage and comm.</b>	<b>106.2</b>	<b>↓ -6.9</b>	<b>↓ -1.7</b>	<b>↑ 1.1</b>
<b>Services: of which</b>	<b>153.9</b>	<b>↓ -5.3</b>	<b>↓ -3.5</b>	<b>↓ -7.3</b>
Real estate/renting & business ac	111.0	↓ -4.0	↓ -1.9	↓ -2.2
<b>2. Personal: of which</b>	<b>294.0</b>	<b>↓ -5.8</b>	<b>↓ -5.6</b>	<b>↓ -27.5</b>
Consumer financing	217.6	↓ -5.9	↓ -5.8	↓ -27.2
<b>3. Investment in securities and shares</b>	<b>158.0</b>	<b>↓ -2.0</b>	<b>↑ 0.7</b>	<b>↑ 13.0</b>
<b>4. Others</b>	<b>257.4</b>	<b>↑ 11.7</b>	<b>↓ -7.8</b>	<b>↓ -37.4</b>

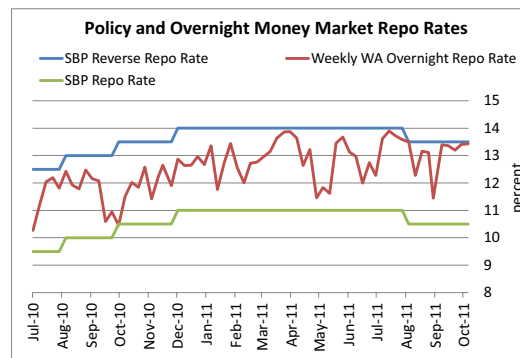




## Money Market

**Money market repo rate though declined with the 50 bps cut in the policy rate, it has mostly remained in upper half of the interest rate corridor.**

	Policy Instruments (%)				
	Current	w.e.f	Previous	w.e.f	Change <sup>1</sup>
SBP reverse repo rate	13.5	1-Aug-11	14.0	30-Nov-10	↓ -50
SBP repo rate	10.5	1-Aug-11	11.0	30-Nov-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	19.0	3-Jun-11	14.0	1-Apr-11	↑ 500
SLR on TL > 1 year	0.0	18-Oct-08	19.0	24-May-08	↓ -1900
Islamic banks	0.0	18-Oct-08	9.0	24-May-08	↓ -900



<sup>1</sup> Basis points

DL: Demand Liabilities; TL: Time Liabilities

**Banks' holding of excess cash reserves with SBP was lower for the week ending on 29th September 2011 compared to last month.**

	Weekly Cash Reserve Requirements <sup>1</sup> (billion Rs)				
	Week Ended		Change since		
	Current	Last month			
	29-Sep-11	25-Aug-11	25-Aug-11	28-Jul-11 <sup>2</sup>	
Cash Required	214.1	212.6	↑ 1.6	↓ -0.1	
Cash Maintained	221.6	220.8	↑ 0.7	↑ 0.1	
Excess Cash Reserves (per day)	7.4	8.3	↓ -0.8	↑ 0.2	

<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 Money Market Repo Rate (%)				
	01 Jul 2011 - 06 Oct 2011				
	Q1	Q2	Q3	Q4	YTD
WA O/N Repo Rate <sup>1</sup>	13.31	13.42	-	-	13.32
Standard Deviation	0.48	-	-	-	0.48
CoV <sup>2</sup>	0.04	-	-	-	0.04

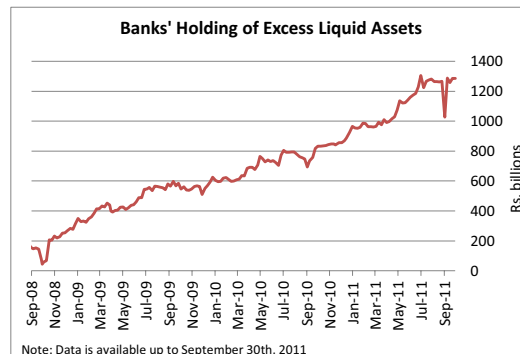
	01 Jul 2010 - 30 June 2011				
	Q1	Q2	Q3	Q4	FY11
WA O/N Repo Rate <sup>1</sup>	11.68	12.1	13.01	12.67	12.34
Standard Deviation	0.61	0.61	0.63	0.76	0.8
CoV <sup>2</sup>	0.05	0.05	0.05	0.06	0.07

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

<sup>2</sup> Coefficient of Variation

**After falling abruptly before Eid, banks' holding of excess liquid assets has risen back to the July 2011 level.**

	Overall Reserve Requirement (billion Rs)				
	As of	Last Month		Change since	
		30-Sep-11	26-Aug-11	26-Aug-11	4-Oct-08
<b>Required Reserves</b>	<b>1036.4</b>	<b>1033.2</b>	↑ 3.2	↑ 73.9	
Cash <sup>1</sup>	215.9	215.2	↑ 0.7	↓ -60.2	
Securities <sup>2</sup>	820.4	818.0	↑ 2.5	↑ 134.0	
<b>Maintained</b>	<b>2321.7</b>	<b>2299.1</b>	↑ 22.7	↑ 1303.0	
Cash	391.2	376.8	↑ 14.5	↑ 2.4	
Cash in Tills	121.8	117.7	↑ 4.1	↑ 33.7	
Balance with SBP	230.6	238.3	↓ -7.8	↓ -58.1	
Balance with NBP	38.9	20.7	↑ 18.1	↑ 26.8	
Securities	1890.3	1885.7	↑ 4.6	↑ 1277.1	
Others <sup>3</sup>	40.2	36.6	↑ 3.6	↑ 23.4	
<b>Excess of Liquid Assets<sup>4</sup></b>	<b>1285.4</b>	<b>1265.9</b>	↑ 19.5	↑ 1229.1	



Note: Data is available up to September 30th, 2011

Source: Off-site Supervision and Enforcement Department, SBP

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

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

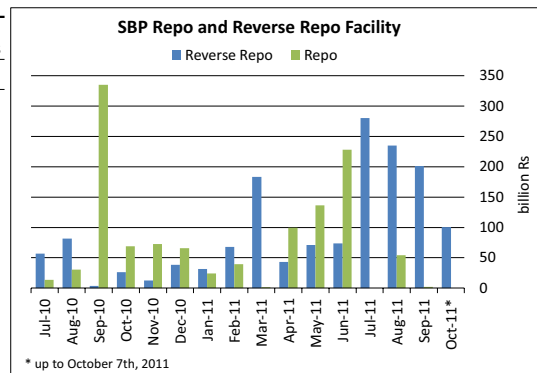
<sup>1</sup> Required under weekly average CRR

<sup>2</sup> Required under SLR



**Though banks' use of SBP reverse repo facility has declined compared to July 2011 levels, it is still considerably higher compared to historical levels.**

	SBP Reverse Repo		SBP Repo	
	Amount	Days	Amount	Days
	billion Rs	No.	billion Rs	No.
<b>FY10</b>	<b>724.2</b>	<b>54</b>	<b>578.5</b>	<b>49</b>
Q1	147.2	12	71.6	8
Q2	121.8	11	107.4	15
Q3	162.1	17	93.3	11
Q4	293.1	14	306.3	15
<b>FY11</b>	<b>691.3</b>	<b>53</b>	<b>1,138.8</b>	<b>83</b>
Q1	142.2	13	402.3	21
Q2	77.1	10	207.2	26
Q3	283.0	16	65.4	11
Q4	189.1	14	463.9	25
<b>FY12</b>	<b>816.5</b>	<b>45</b>	<b>56.3</b>	<b>7</b>
Jul	280.0	13	-	-
Aug	234.8	15	54.4	6
Sep	201.2	13	1.9	1
Oct*	100.6	4	-	-

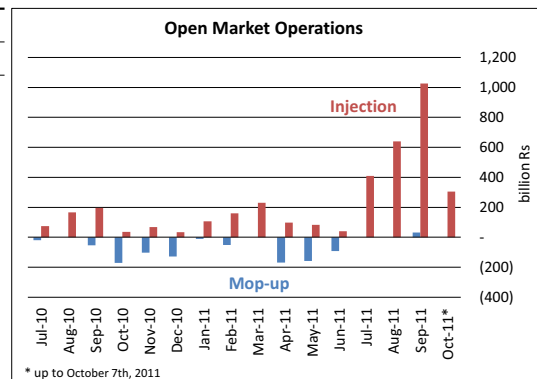


\*Updated upto October 7th, 2011

Source: Domestic Markets & Monetary Management Department, SBP

**Realizing tight liquidity conditions, SBP has been supporting the market through sizeable net OMO injections since the beginning of FY12.**

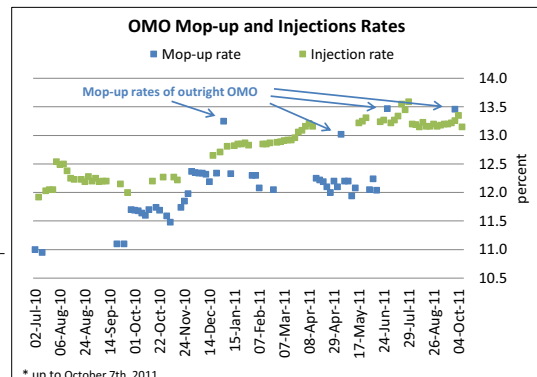
	Open Market Operations (billion rupees)#			Outstanding OMOs	
	Mop-up	Injection	Net Mop-up*	Amount	Maturity
	<b>FY10</b>	<b>489.7</b>	<b>3,621.0</b>	<b>(3,131.3)</b>	-
Q1	153.6	506.9	(353.4)	-	-
Q2	14.3	1,610.7	(1,596.4)	-	-
Q3	93.8	1,234.9	(1,141.1)	-	-
Q4	228.0	268.5	(40.5)	-	-
<b>FY11</b>	<b>961.3</b>	<b>1,252.8</b>	<b>(291.5)</b>	-	-
Q1	74.9	436.2	(361.3)	-	-
Q2	402.6	138.5	264.1	-	-
Q3	62.7	457.1	(394.4)	-	-
Q4	421.2	221.0	200.2	-	-
<b>FY12</b>	<b>32.4</b>	<b>2,378.2</b>	<b>(2,345.8)</b>	-	-
Jul	-	408.5	(408.5)	-	-
Aug	-	640.4	(640.4)	-	-
Sep	32.4	1,025.1	(992.7)	-	-
04-Oct	-	40.0	(40.0)	-	-
07-Oct	-	264.3	(264.3)	(264.3)	14-Oct
				32.4	21-Oct



# Updated upto October 7th, 2011

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

Source: Domestic Markets & Monetary Management Department, SBP





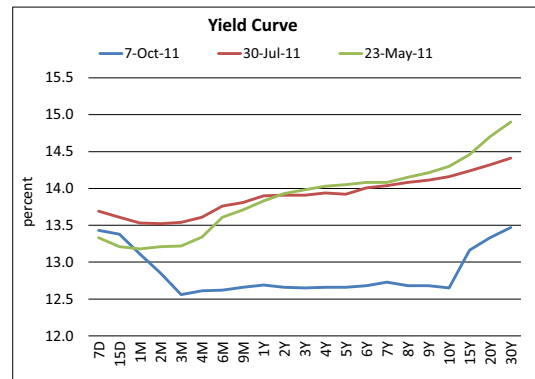
**Market interest rates of different tenors adjusted quickly to decrease in the policy rate, however, shorter end of the yield curve remained on the higher side due to tight liquidity conditions.**

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

Tenors	Current	last month	Change since last policy rate change*	
	7-Oct-11	7-Sep-11		30-Jul-11
1-week	13.43	13.33	↓	-26
2-week	13.38	13.28	↓	-23
1-month	13.11	13.25	↓	-42
3-month	12.56	13.21	↓	-98
6-month	12.62	13.26	↓	-114
9-month	12.66	13.29	↓	-115
1-year	12.69	13.32	↓	-121
2-year	12.66	13.13	↓	-125
3-year	12.65	13.02	↓	-126
5-year	12.66	13.04	↓	-126
7-year	12.73	13.15	↓	-131
10-year	12.65	13.05	↓	-136
20-year	13.33	13.64	↓	-99
30-year	13.47	13.77	↓	-94

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).

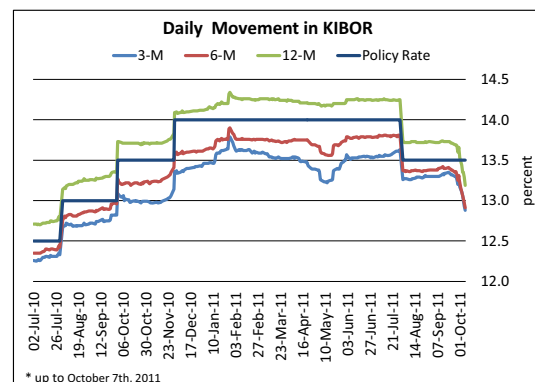
**Like other market interest rates, KIBOR of all tenors decreased by 82 bps on average since the announcement of last MPS.**

**Tenor-wise KIBOR (%)**

Tenors	Current	last month	Change since last policy rate change*	
	7-Oct-11	7-Sep-11		30-Jul-11
1-week	13.48	13.55	↓	-40
2-week	13.30	13.52	↓	-53
1-month	13.15	13.52	↓	-64
3-month	12.88	13.30	↓	-75
6-month	12.91	13.38	↓	-90
9-month	13.19	13.67	↓	-96
12-month	13.19	13.72	↓	-106
2-year	13.29	13.80	↓	-105
3-year	13.35	13.88	↓	-107

Source: SBP and Financial Market Association of Pakistan

\* In basis points

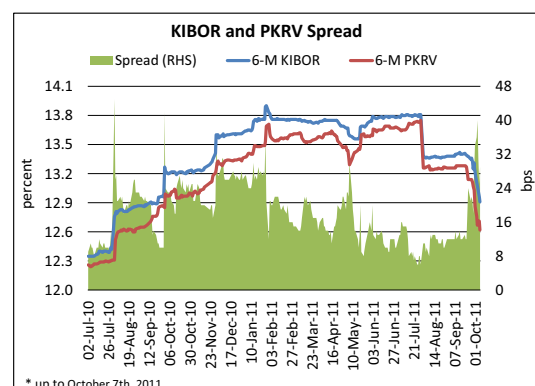


**The spread between 6-month KIBOR and 6-month PKRV rates has increased during the last couple of weeks.**

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

Tenors	Current	last month	Change since last policy rate change	
	7-Oct-11	7-Sep-11		30-Jul-11
1-week	5	22	↓	-14
2-week	-8	24	↓	-30
1-month	4	27	↓	-22
3-month	32	9	↑	23
6-month	29	12	↑	24
9-month	53	38	↑	19
12-month	50	40	↑	15
2-year	63	67	↑	20
3-year	70	86	↑	19

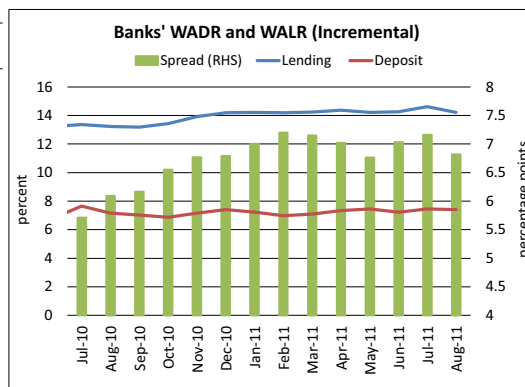
Sources: SBP





*The spread between the lending and deposit rates narrowed in August 2011 mainly due to relatively higher decline in WALR.*

Months	Weighted average Lending and Deposit Rates (percent per annum)					
	Incremental <sup>1</sup>			Outstanding		
	WALR	WADR	Spread (bps)	WALR	WADR	Spread (bps)
Aug-10	13.24	7.15	609	13.38	5.82	756
Sep-10	13.19	7.03	616	13.34	5.77	757
Oct-10	13.43	6.88	655	13.32	5.83	749
Nov-10	13.92	7.15	677	13.42	5.88	754
Dec-10	14.20	7.41	679	13.52	5.91	761
Jan-11	14.22	7.22	700	13.62	6.02	760
Feb-11	14.19	6.99	720	13.55	6.04	751
Mar-11	14.24	7.09	715	13.55	5.97	758
Apr-11	14.37	7.35	702	13.55	6.03	752
May-11	14.21	7.45	676	13.65	6.00	765
Jun-11	14.25	7.22	703	13.78	5.92	786
Jul-11	14.62	7.46	716	13.76	5.88	788
Aug-11	14.22	7.40	682	13.65	6.06	759



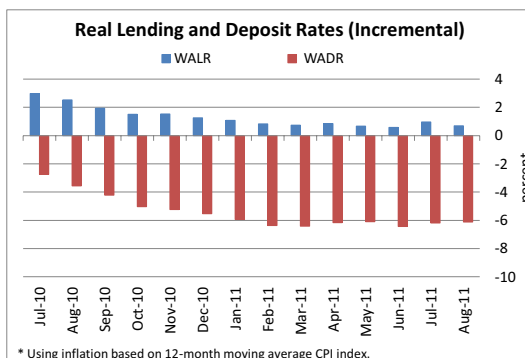
Source: Statistics & Data Warehouse Department, SBP

<sup>1</sup> Weighted average rates on incremental (fresh) loans and deposits during a month.

*Both the real lending and deposit rates decreased in August 2011.*

Months	Real (based on 12-month MA inflation) <sup>1</sup>		Real (based on YoY inflation) <sup>2</sup>	
	WALR	WADR	WALR	WADR
Aug-10	2.53	-3.56	0.45	-5.64
Sep-10	1.93	-4.23	-1.70	-7.86
Oct-10	1.52	-5.03	-1.90	-8.45
Nov-10	1.53	-5.24	-1.04	-7.81
Dec-10	1.26	-5.53	-1.25	-8.04
Jan-11	1.07	-5.93	0.31	-6.69
Feb-11	0.83	-6.37	1.34	-5.86
Mar-11	0.74	-6.41	1.22	-5.93
Apr-11	0.84	-6.18	1.83	-5.19
May-11	0.67	-6.09	1.56	-5.20
Jun-11	0.59	-6.44	0.94	-6.09
Jul-11	0.97	-6.19	2.19	-4.97
Aug-11	0.69	-6.13	2.66	-4.16

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



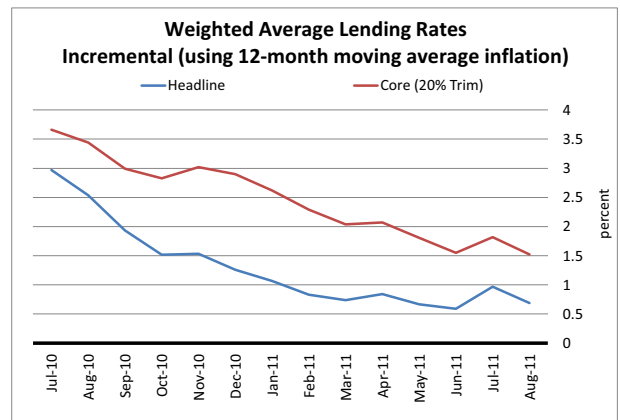
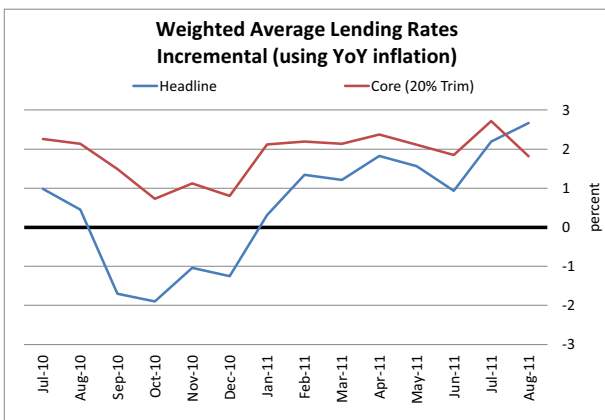
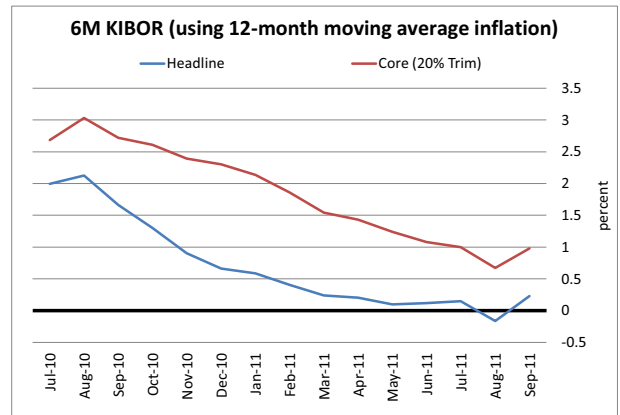
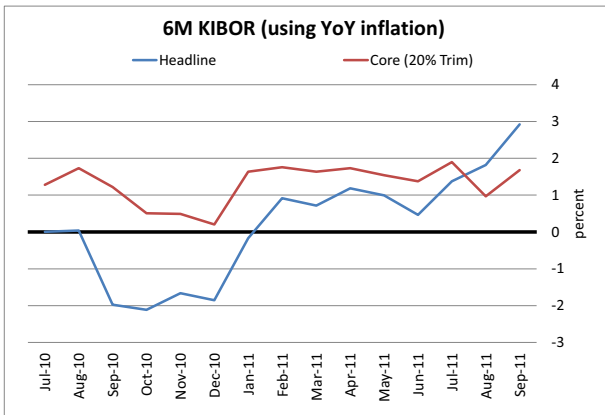
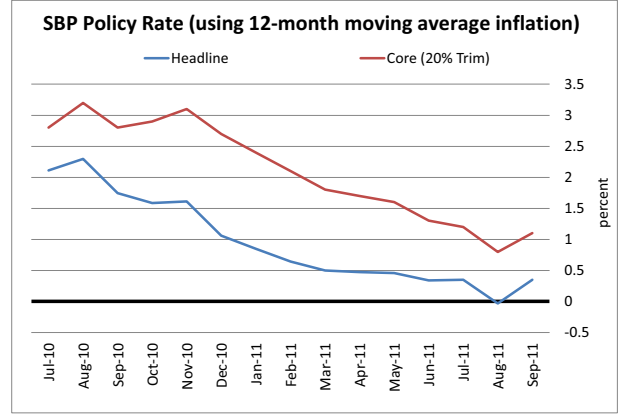
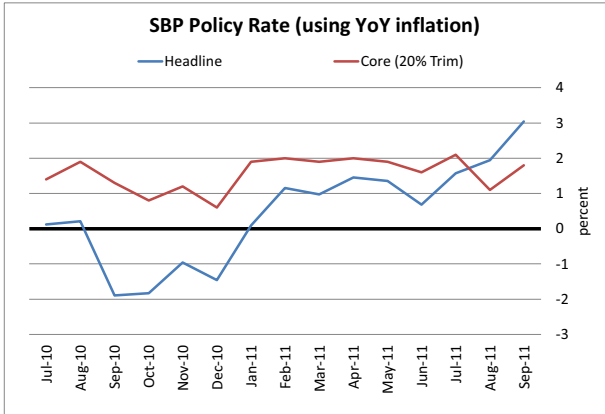
\* Using inflation based on 12-month moving average CPI index.

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

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



# Real Interest Rates



Sources: FBS and Statistics & Data Warehouse Department, SBP





**Increase in banks' appetite for 12-month T-bills in recent auctions indicates their expectation of further decrease in the policy rate in near future.**

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

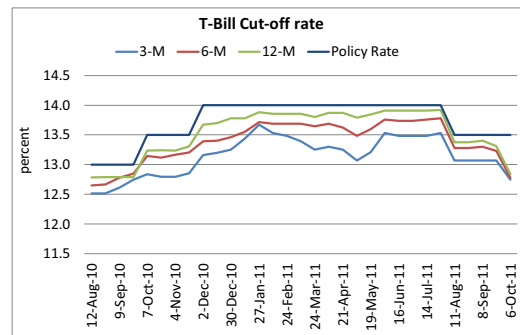
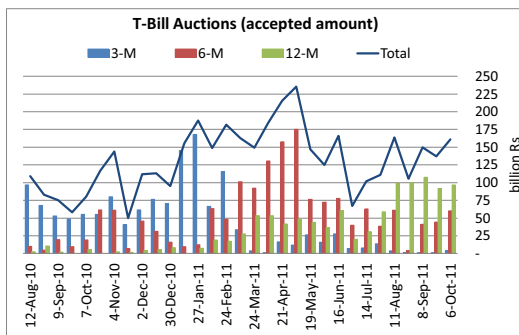
FY/Q/ Settlement Date	TOTAL				3-Month			6-Month			12-Month			Non- competitive bids (Accepted)#
	Target	Maturity	Offered	Accepted	Offered	Accepted	Cut-off*	Offered	Accepted	Cut-off*	Offered	Accepted	Cut-off*	
<b>FY10</b>	<b>1,360.0</b>	<b>1,106.5</b>	<b>2,875.1</b>	<b>1,376.0</b>	<b>523.2</b>	<b>199.9</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>3,350.0</b>	<b>3,285.6</b>	<b>5,291.9</b>	<b>3,336.6</b>	<b>2,520.1</b>	<b>1,385.4</b>	-	<b>1,995.4</b>	<b>1,446.8</b>	-	<b>776.4</b>	<b>504.4</b>	-	<b>349.5</b>
Q1	535.0	532.0	840.9	542.9	492.0	349.5	12.75	226.0	148.2	12.85	122.9	45.3	12.79	43.9
Q2	685.0	704.0	1,262.1	711.0	811.1	440.0	13.25	380.2	242.2	13.46	70.9	28.8	13.78	66.5
Q3	980.0	883.8	1,512.5	942.2	942.7	490.2	13.25	385.2	326.9	13.64	184.6	125.1	13.80	100.2
Q4	1,150.0	1,165.8	1,676.3	1,140.5	274.3	105.8	13.49	1,004.0	729.5	13.74	398.0	305.2	13.91	138.9
<b>FY12</b>	<b>935.0</b>	<b>765.4</b>	<b>1,509.5</b>	<b>930.2</b>	<b>94.4</b>	<b>33.1</b>	-	<b>460.8</b>	<b>312.8</b>	-	<b>954.4</b>	<b>584.3</b>	-	<b>102.5</b>
Q1	750.0	594.7	1,090.9	769.2	82.5	29.0	13.07	336.1	252.5	13.23	672.3	487.7	13.31	81.3
6-Oct	185.0	170.7	418.6	161.0	11.8	4.1	12.75	124.7	60.3	12.78	282.1	96.6	12.84	21.2

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.



**Like previous PIB auctions, Government has accepted higher than the targeted amount in the last auction.**

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>15-Sep-11</b>									
Cut-off rate	-	13.22	13.24	-	13.25	-	-	-	-
Offered	-	9.28	8.38	0.20	20.04	-	-	-	37.89
Accepted	20.00	6.60	6.68	R	12.84	-	-	-	26.12
<b>18-Aug-11</b>									
Cut-off rate	-	13.48	13.50	-	13.51	13.50	-	-	-
Offered	-	11.25	12.57	0.30	40.41	2.39	0.15	0.15	67.22
Accepted	30.00	9.98	10.69	R	18.31	2.24	R	R	41.21
<b>23-Jun-11</b>									
Cut-off rate	-	14.00	14.05	-	14.09	14.10	14.14	14.19	-
Offered	-	12.21	3.72	0.10	19.67	0.50	0.20	0.20	36.60
Accepted	20.00	10.96	2.87	R	14.77	0.20	0.20	0.20	29.20
<b>26-May-11</b>									
Cut-off rate	-	14.00	14.06	-	14.10	14.11	14.14	-	-
Offered	-	16.23	4.93	0.25	18.30	0.15	0.10	0.10	40.05
Accepted	20.00	12.57	2.53	R	12.70	0.10	0.10	R	28.00

\*N=No bids; R=Bids rejected

# Excluding non-competitive bids and short-selling accommodation

Source: Domestic Markets & Monetary Management Department, SBP

**Government accepted a total of Rs45.8 billion in the last Ijara Sukuk auction held on 9th May 2011.**

Auction Date #	Settlement Date	Target	Total Offered	Total Accepted	Cut-off Margin*
9-May-11	16-May-11	45.00	51.25	45.80	0.00
1-Mar-11	7-Mar-11	45.00	56.84	47.54	0.00
13-Dec-10	20-Dec-10	40.00	57.75	37.17	0.00
8-Nov-10	15-Nov-10	40.00	64.71	51.84	0.00

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

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



**Foreign Exchange Market**

*After weakening considerably against US dollar during Q1-FY12 mainly due to higher oil payments and fall in financial inflows, PKR has remained stable against USD in the beginning of Q2-FY12.*

	PKR against International Currencies			% App/(Dpp) of PKR
	Latest 07 Oct 11	Last MPS 30 July 11	Jun-11	Cumulative since Jun-11
USD	87.26	86.59	85.97	(1.48)
Euro	117.12	124.55	124.54	6.34
Sterling	135.40	142.16	137.35	1.44
JPY	1.14	1.13	1.07	(6.05)
USD Kerb	88.60	86.30	86.03	(2.91)
Premium (Rs)	1.34	-0.29	0.06	-
Daily NEER*	50.63	48.92	49.75	1.76

\* Nominal Effective Exchange Rate

Source: SBP

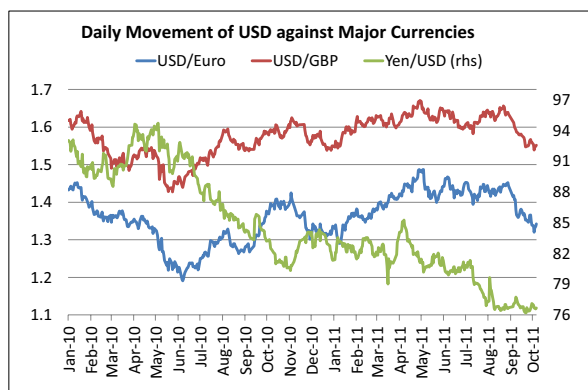
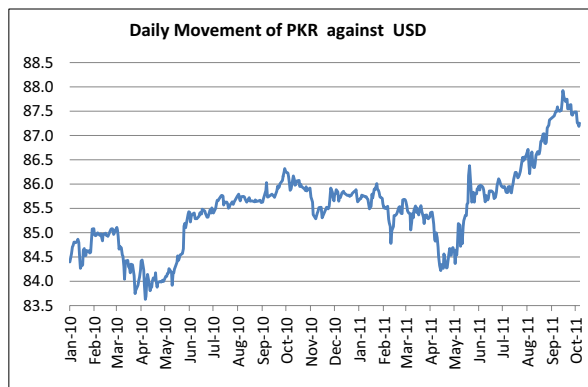
	International Exchange Rates			% App/(Dpp) of USD
	Latest 07 Oct 11	Last MPS 30 July 11	Jun-11	Cumulative since Jun-11
EUR/USD	1.34	1.44	1.45	7.94
GBP/USD	1.55	1.64	1.60	2.96
USD/JPY	76.67	76.89	80.40	(4.64)
USD/INR	49.19	44.21	44.69	10.09
USD/CNY	6.37	6.44	6.46	(1.37)
USD/THB	30.97	29.77	30.76	0.70
USD/MYR	3.16	2.97	3.02	4.62
USD/SGD	1.30	1.20	1.23	5.48

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	86.50	83.93	85.97	85.56	2.40
FY12*	87.94	85.79	87.26	86.83	1.86

<sup>1</sup> Reuters: Average Close-to-Close Daily Volatility (in %)  
\*Updated up to 7th October 2011



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

	High	Low	Close	Average	Volatility C/C <sup>1</sup>
Q1-FY10	83.52	81.40	83.15	82.69	3.37
Q2-FY10	84.55	83.10	84.24	83.66	1.97
Q3-FY10	85.18	83.65	84.09	84.67	2.98
Q4-FY10	85.58	83.50	85.51	84.60	3.78
Q1-FY11	86.35	85.40	86.32	85.73	1.53
Q2-FY11	86.34	85.13	85.64	85.79	1.93
Q3-FY11	86.08	84.75	85.36	85.52	2.41
Q4-FY11	86.50	83.93	85.97	85.29	3.45
Q2-FY12*	87.55	87.09	87.26	87.32	1.83

<sup>1</sup> Reuters: Average Close-to-Close Daily Volatility (in %)  
\*Updated up to 7th October 2011



*In real terms, PKR depreciated during first two months of FY12 due to both depreciation in nominal exchange rate against basket of currencies and slight decline in domestic inflation.*

## Changes in Real Effective Exchange Rate (REER)

Base Year: CY2000

		REER Index	App(+)/Dep(-)												
			2008		2009				2010				2011		
			Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Aug <sup>P</sup>
2008	Sep	90.54	-	5.42	7.75	3.41	2.40	1.63	6.92	11.99	13.49	13.49	11.65	11.37	14.16
	Dec	95.45	-	-	2.21	-1.91	-2.86	-3.59	1.42	6.23	7.65	7.66	5.90	5.65	8.29
2009	Mar	97.56	-	-	-	-4.02	-4.96	-5.68	-0.77	3.93	5.32	5.33	3.62	3.36	5.95
	Jun	93.63	-	-	-	-	-0.98	-1.72	3.39	8.29	9.74	9.75	7.96	7.70	10.39
	Sep	92.72	-	-	-	-	-	-0.75	4.41	9.36	10.82	10.83	9.03	8.76	11.48
	Dec	92.02	-	-	-	-	-	-	5.21	10.19	11.66	11.67	9.85	9.58	12.33
2010	Mar	96.81	-	-	-	-	-	-	-	4.74	6.14	6.14	4.42	4.16	6.77
	Jun	101.40	-	-	-	-	-	-	-	-	1.34	1.34	-0.30	-0.55	1.94
	Sep	102.75	-	-	-	-	-	-	-	-	-	0.01	-1.62	-1.86	0.59
	Dec	102.76	-	-	-	-	-	-	-	-	-	-	-1.63	-1.87	0.59
2011	Latest 30 Oct	101.09	-	-	-	-	-	-	-	-	-	-	-	-0.25	2.25
	Jun	100.84	-	-	-	-	-	-	-	-	-	-	-	-	2.50
	Aug <sup>P</sup>	103.36	-	-	-	-	-	-	-	-	-	-	-	-	-

<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		
			Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	07-Oct
2008	Sep	78.04	-	-1.34	-2.99	-4.12	-6.18	-7.39	-7.30	-8.69	-9.56	-8.95	-8.53	-9.25	-10.57
	Dec	79.10	-	-	-1.67	-2.82	-4.90	-6.13	-6.04	-7.45	-8.33	-7.72	-7.28	-8.01	-9.35
2009	Mar	80.44	-	-	-	-1.17	-3.29	-4.54	-4.44	-5.88	-6.77	-6.15	-5.71	-6.45	-7.81
	Jun	81.39	-	-	-	-	-2.15	-3.41	-3.31	-4.77	-5.67	-5.04	-4.60	-5.35	-6.72
	Sep	83.18	-	-	-	-	-	-1.29	-1.19	-2.68	-3.60	-2.96	-2.50	-3.27	-4.68
	Dec	84.26	-	-	-	-	-	-	0.10	-1.40	-2.34	-1.69	-1.23	-2.01	-3.43
2010	Mar	84.18	-	-	-	-	-	-	-	-1.50	-2.44	-1.79	-1.33	-2.10	-3.53
	Jun	85.46	-	-	-	-	-	-	-	-	-0.95	-0.29	0.18	-0.61	-2.05
	Sep	86.29	-	-	-	-	-	-	-	-	-	0.67	1.14	0.34	-1.11
	Dec	85.71	-	-	-	-	-	-	-	-	-	-	0.47	-0.32	-1.77
2011	Mar	85.31	-	-	-	-	-	-	-	-	-	-	-	-0.79	-2.23
	Jun	85.99	-	-	-	-	-	-	-	-	-	-	-	-	-1.45
	07-Sep	87.26	-	-	-	-	-	-	-	-	-	-	-	-	-



## Capital Market

*Despite global uncertainty, strained US-Pak relations and flood disasters, the performance of Karachi Stock Exchange showed improvement during the first week of October 2011 compared.*

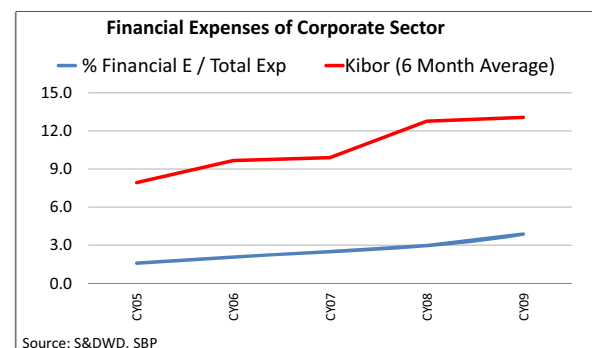
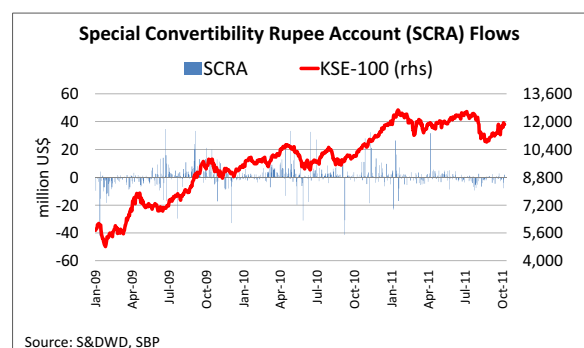
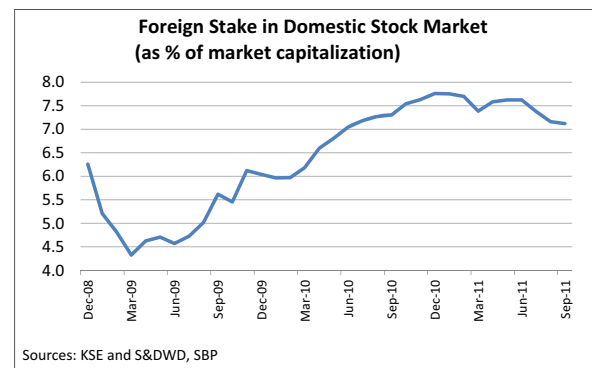
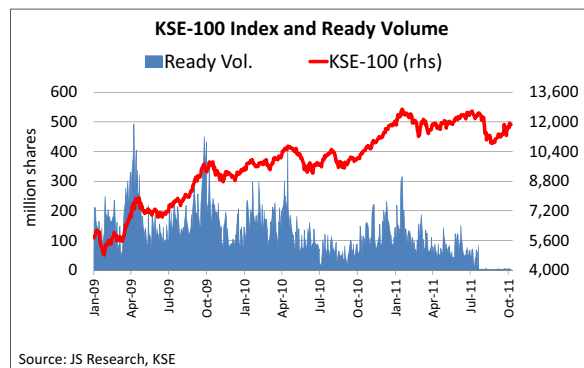
### Performance of Karachi Stock Exchange

	FY12		H1-FY11	FY11	Change (%)			
	Oct-11 <sup>1</sup>	Sep-11			October 11 <sup>1</sup> over FY11	October 11 <sup>1</sup> over H1-FY11	FY11 over FY10	FY10 over FY09
KSE-100 Index	11,853.8	11,762.0	12,022.5	12,496.0	-5.1	-1.4	25.4	35.7
KSE-30 Index	11,366.7	11,220.9	11,588.2	11,586.5	-1.9	-1.9	21.0	26.2
Market Capitalization (billion Rs.)	3,126.0	3,103.9	3,269.0	3,288.7	-4.9	-4.4	17.9	28.8
Ready Volume (million shares-Avg.)	70.5	96.9	92.1	95.0	-25.8	-23.5	-66.6	54.3
SCRA Cumulative flows, Since October (US\$ million) <sup>2</sup>	-11.3	-13.6	195.4	237.6	-104.7	-105.8	-107.6	205.9

<sup>1</sup> As of 7th October 2011.

<sup>2</sup> As of 6th October 2011.

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





## Financial Soundness Indicators

*The ratio of banks' liquid assets to total assets and deposits have increased during June 2011, while their advances to deposits ratio has been consistently falling for the last few years.*

percent

	2008*	2009	Jun 2010	Dec 2010	Mar 2011	Jun 2011
Risk weighted CAR**	12.2	14.0	13.9	14.0	13.6	14.1
NPLs to total loans	10.5	12.6	12.9	14.7	15.4	15.3
Provision to NPLs	69.6	69.9	73.2	66.7	66.7	67.9
Returns on assets (before tax)	1.2	1.3	1.8	1.7	2.2	2.1
Return on assets (after tax)	0.8	0.9	1.1	1.0	1.4	1.4
ROE (before tax)***	11.4	13.2	17.7	16.7	22.4	21.8
ROE (after tax)***	7.8	8.9	10.9	9.8	14.4	14.3
Net interest income/gross income	70.3	72.4	74.7	74.7	76.6	75.9
Liquid assets/total assets	28.2	32.7	34.2	35.0	35.7	38.2
Liquid assets/total deposits	37.7	44.5	45.3	45.9	47.3	49.5
Advances/deposits	75.2	67.7	63.0	61.4	61.5	56.7

Source: Banking Surveillance Department, SBP

Note: FSIs are prepared on the basis of annual audited accounts except for quarter ended Jun-10, Dec-10, Mar-11 and Jun-11 which are based on unaudited Quarterly Report of Condition (QRC) submitted by banks.

\*Statistics for 2008 has been restated on the basis of audit for the year 2009.

\*\*Data of IDBP, PPCBL, and SME is based on Basel I.

\*\*\*Average equity and surplus

