



Monetary Policy Information Compendium

August 2012

Consolidated by

Monetary Policy Department

STATE BANK OF PAKISTAN



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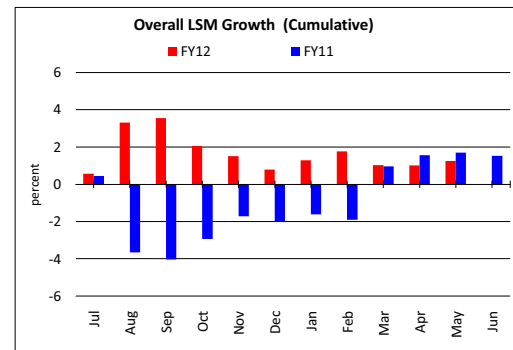
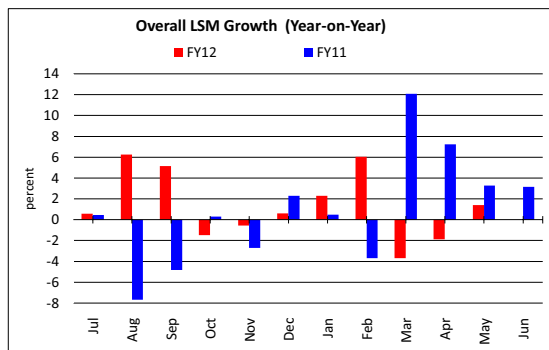
Real Sector

LSM grew by 1.4 percent (year-on-year) in May 12, resulting into a cumulative growth of 1.3 percent during July-May FY12.

Growth in Large Scale Manufacturing (LSM) Sector

Groups	Weights	YoY changes		Cumulative change during Jul-May	
		May-12	May-11	FY12	FY11
Overall	70.3	1.4	3.3	1.3	1.7
Textile	21.0	↑ 0.4	↑ 2.4	↓ -1.6	↑ 11.0
Food, beverages & tobacco	12.4	↑ 6.4	↑ 15.2	↑ 2.2	↑ 9.9
Petroleum products	5.4	↓ -5.8	↓ -2.9	↑ 3.2	↓ -2.1
Iron & Steel Products	5.4	↓ -25.3	↓ -9.8	↓ -3.5	↓ -20.6
Non-metallic mineral products	5.4	↑ 2.7	↓ -8.9	↑ 4.9	↓ -10.4
Automobile	4.6	↑ 1.2	↑ 10.3	↑ 8.8	↑ 3.4
Fertilizer	4.4	↑ 1.0	↓ -9.6	↓ -2.7	↓ -0.7
Pharmaceuticals	3.6	↑ 7.8	↑ 3.9	↑ 3.9	↑ 20.8
Paper & Board	2.3	↑ 22.9	↓ -3.7	↑ 41.1	↓ -8.0
Electronics	2.0	↓ -7.9	↓ -15.9	↓ -12.8	↓ -16.4
Chemicals	1.7	↓ -2.9	↓ -4.0	↓ -0.9	↓ -9.4
Leather products	0.9	↑ 0.7	↑ 16.3	↓ -5.0	↑ 16.8
Wood products	0.6	↓ -0.9	↑ 7.9	↓ -37.7	↑ 16.7
Engineering industries	0.4	↓ -11.2	↓ -10.4	↓ -3.3	↓ -9.7
Rubber products	0.3	↓ -24.9	↑ 7.8	↓ -21.4	↓ -3.6

Sources: Pakistan Bureau of Statistics (PBS)



Except wheat, production of all major crops increased during FY12.

Crops	Production (million tons)				Area Under Cultivation (million hectares)				Yield (Kg/hectare)			
	FY11 ^R	FY12 ^P	FY13 ^T	% change in FY12 ^P over FY11 ^R	FY11 ^R	FY12 ^P	% change in FY12 ^P over FY11 ^R	FY11 ^R	FY12 ^P	% change in FY12 ^P over FY11 ^R		
Cotton ¹	11.5	13.6	14.5	↑ 18.6	2.7	2.8	↑ 5.4	724	815	↑ 12.6		
Sugarcane	55.3	58.0	58.5	↑ 4.9	1.0	1.0	↑ 5.9	55,997	55,486	↓ -0.9		
Rice	4.8	6.2	6.9	↑ 27.7	2.4	2.6	↑ 8.7	2,039	2,396	↑ 17.5		
Wheat	25.2	23.5	25.8	↓ -6.7	8.9	8.7	↓ -2.6	2,833	2,714	↓ -4.2		

¹ Cotton production is stated in million bales of 170 kg each.

P: Provisional; T: Target; R: Revised

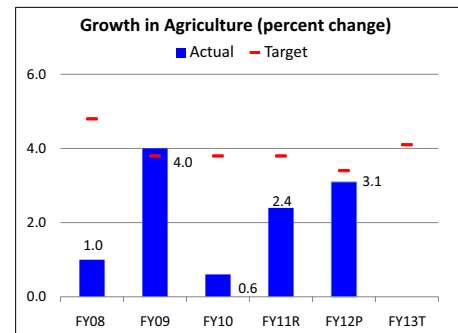
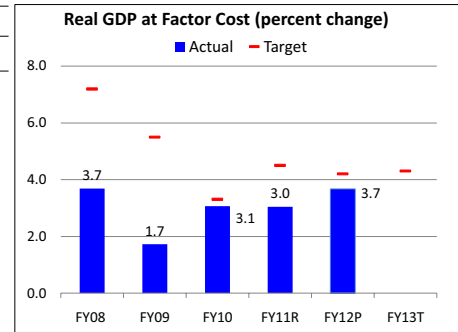
Sources: Pakistan Bureau of Statistics (PBS) and Planning Commission (PC).



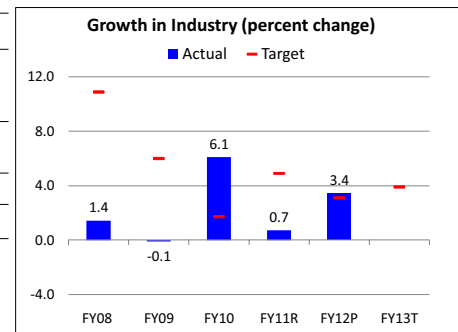
Provisional estimates show moderate recovery in GDP growth during FY12 (3.7 percent), though the target (4.2 percent) is not achieved.

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

	FY11 (R)	FY12 (P)		
		Growth	Shares	Contribution
Agriculture of which	2.4	3.1	21.1	0.7
Major crops	-0.2	3.2	6.7	0.2
Minor crops	2.7	-1.3	2.1	-0.03
Livestock	4.0	4.0	11.6	0.5
Industry of which	0.7	3.4	25.4	0.9
Manufacturing	3.1	3.6	18.6	0.7
Large-scale	1.2	1.8	11.9	0.2
Small-scale	7.5	7.5	5.3	0.4
Construction	-7.1	6.5	2.2	0.1
Services of which	4.4	4.0	53.5	2.1
Transport & communication	0.9	1.3	9.6	0.1
Wholesale & retail trade	3.5	3.6	17.1	0.6
Finance & insurance	-1.4	6.5	4.8	0.3
Public administration & defence	14.2	2.6	6.6	0.2
Real GDP (fc)	3.0	3.7	-	-
Real GDP (mp)	3.0	4.2	-	-

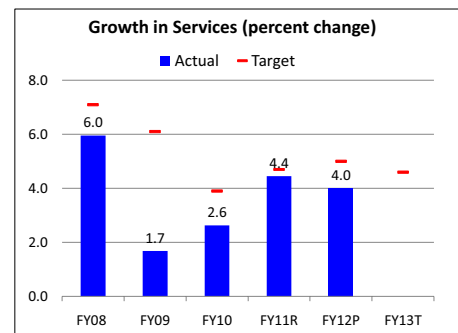


	FY10	FY11(R)	FY12(P)
Real GDP (fc, billion Rs)	5,644	5,815	6,029
Real GDP (fc, billion US\$) ¹	67.2	67.9	68.2



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

	FY11 (R)	FY12 (P) ²		
		Growth	Shares	Contribution
Consumption	3.9	11.1	93.8	9.7
Private	3.7	11.6	80.0	8.6
Government	5.2	8.2	13.8	1.1
Fixed capital formation	-5.6	-10.2	11.5	-1.4
Private	-6.7	-13.0	8.4	-1.3
Public plus general government	-1.8	-1.6	3.0	-0.1
Changes in Stocks	3.0	4.2	1.7	0.1
Net exports of goods and nonfactor services	16.3	-125.5	-0.8	-4.0
Exports of goods and non-factor services	2.4	-13.4	15.4	-2.5
Imports of goods and non-factor services	-0.1	10.0	16.2	1.5
GDP (market prices)	3.0	4.2	106.2	-
Less Indirect taxes plus subsidies	1.5	13.2	-6.2	-0.8
GDP (fc)	3.0	3.7	100.0	3.7
Total Domestic Demand³	2.6	8.2	-	-



¹ GDP in dollar terms is calculated using average exchange rate during the year, and for FY12 the average of Jul-Mar has been used.

² Shares and contributions in GDP growth are based on GDP(fc); ³Domestic demand is calculated as sum of consumption, fixed capital formation and change in stock expenditures on real GDP; Note: The growth numbers may not tally due to separate rounding off.

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



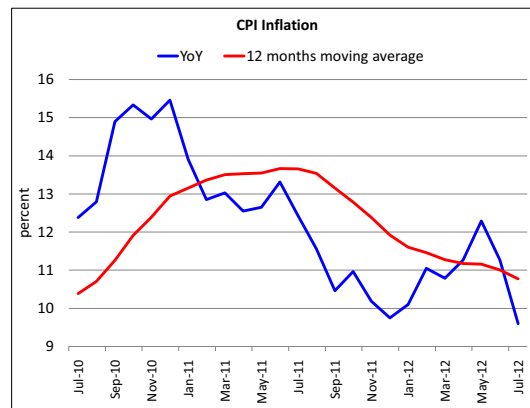
Inflation

(Calculated from price indices with base year 2007-08)

Headline CPI inflation (YoY) decreased to 9.6 percent in July 2012 from 11.3 percent in June 2012.

Consumer Price Index (CPI) (percent change)

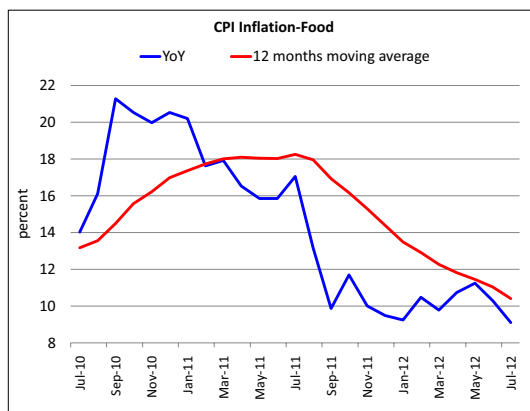
	MoM ¹	MoM SA ²	YoY ³	12M moving average ⁴
Jul-11	1.3	0.6	12.4	13.7
Aug-11	1.4	1.0	11.6	13.5
Sep-11	1.0	1.0	10.5	13.2
Oct-11	1.4	1.1	11.0	12.8
Nov-11	0.3	0.7	10.2	12.4
Dec-11	-0.7	0.5	9.7	11.9
Jan-12	1.5	1.1	10.1	11.6
Feb-12	0.3	0.8	11.0	11.5
Mar-12	1.2	1.1	10.8	11.3
Apr-12	1.8	1.1	11.3	11.2
May-12	1.1	1.6	12.3	11.2
Jun-12	0.0	0.1	11.3	11.0
Jul-12	-0.2	-0.8	9.6	10.8
3-year average for July	1.0	0.4	11.5	



Food inflation (YoY) also decreased to 9.1 percent in July 2012 from 10.3 percent in the previous month.

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

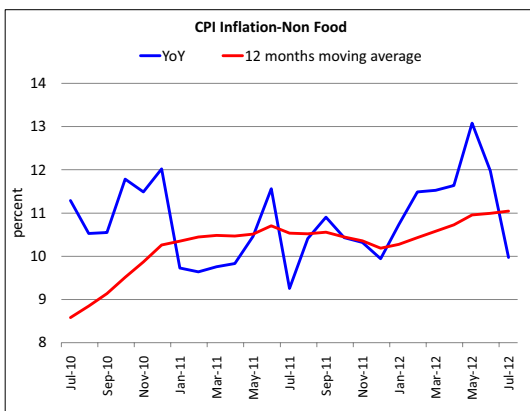
Jul-11	2.9	1.0	17.1	18.2
Aug-11	1.4	0.4	13.2	17.9
Sep-11	1.6	1.0	9.9	16.9
Oct-11	1.6	1.2	11.7	16.2
Nov-11	0.1	0.4	10.0	15.3
Dec-11	-2.2	0.4	9.5	14.4
Jan-12	1.5	1.0	9.2	13.5
Feb-12	-0.7	1.0	10.5	12.9
Mar-12	1.5	0.8	9.8	12.3
Apr-12	2.2	1.2	10.7	11.8
May-12	0.2	1.0	11.3	11.5
Jun-12	-0.2	0.3	10.3	11.0
Jul-12	1.8	-0.1	9.1	10.4
3-year average for July	2.2	0.4	13.4	



Non-food inflation (YoY) also decreased to 10.0 percent in July 2012 from 12.0 percent in previous month.

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

Jul-11	0.1	0.2	9.2	10.5
Aug-11	1.4	1.3	10.4	10.5
Sep-11	0.6	0.9	10.9	10.6
Oct-11	1.3	1.3	10.4	10.4
Nov-11	0.4	0.5	10.3	10.4
Dec-11	0.4	0.5	9.9	10.2
Jan-12	1.6	1.3	10.7	10.3
Feb-12	1.0	1.1	11.5	10.4
Mar-12	0.9	1.0	11.5	10.6
Apr-12	1.6	1.1	11.6	10.7
May-12	1.9	2.1	13.1	11.0
Jun-12	0.2	0.1	12.0	11.0
Jul-12	-1.7	-1.6	10.0	11.0
3-year average for July	0.2	0.3	10.2	



¹ Month-on-Month

² Month-on-month changes in seasonally adjusted series

³ Year-on-Year

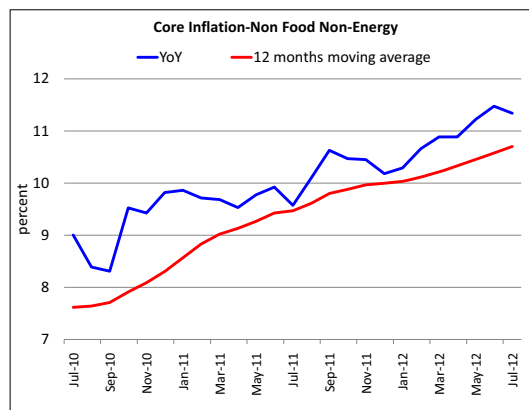
⁴ These changes are calculated on the basis of 12 month average of CPI over the 12 month average of preceding year.

Source: Pakistan Bureau of Statistics, State Bank of Pakistan.



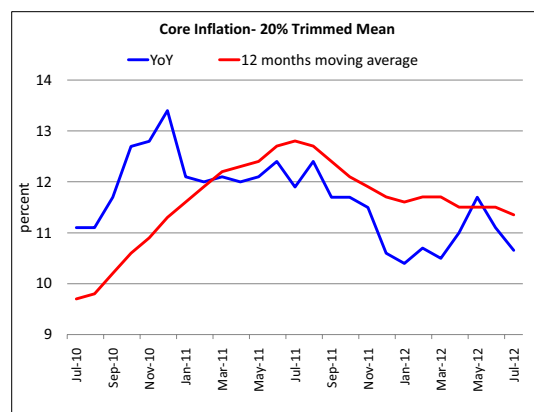
The non-food non-energy (NFNE) measure of core inflation (YoY) decreased to 11.3 percent in July 2012 from 11.5 percent in June 2012.

	Core - Non-food non-energy (53.52% weight in basket) (percent change)		
	MoM	YoY	12M moving average
Jul-11	1.2	9.6	9.5
Aug-11	0.8	10.1	9.6
Sep-11	0.7	10.6	9.8
Oct-11	1.4	10.5	9.9
Nov-11	0.6	10.4	10.0
Dec-11	0.5	10.2	10.0
Jan-12	1.1	10.3	10.0
Feb-12	0.7	10.7	10.1
Mar-12	1.0	10.9	10.2
Apr-12	1.4	10.9	10.3
May-12	0.8	11.2	10.4
Jun-12	0.7	11.5	10.6
Jul-12	1.1	11.3	10.7
3-year average for July	1.2	10.0	



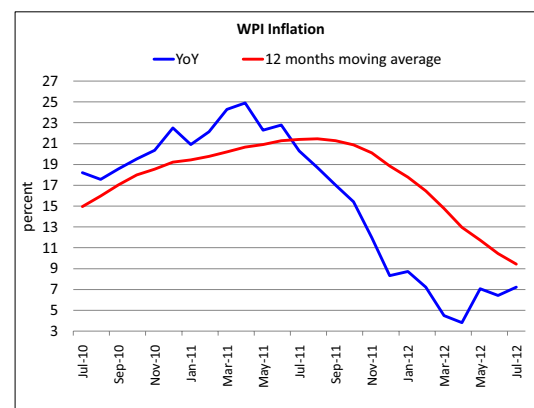
The 20% trimmed mean measure of core inflation (YoY) decreased to 10.7 percent in July 2012 from 11.1 percent in the previous month.

Core - 20% Trimmed (percent change)			
	MoM	YoY	12M moving average
Jul-11	1.1	11.9	12.8
Aug-11	0.7	12.4	12.7
Sep-11	0.6	11.7	12.4
Oct-11	1.0	11.7	12.1
Nov-11	0.5	11.5	11.9
Dec-11	0.3	10.6	11.7
Jan-12	0.8	10.4	11.6
Feb-12	0.5	10.7	11.7
Mar-12	0.8	10.5	11.7
Apr-12	1.3	11.0	11.5
May-12	0.5	11.7	11.5
Jun-12	0.5	11.1	11.5
Jul-12	0.7	10.7	11.4
3-year average for July	1.1	11.2	



The WPI inflation (YoY) decreased sharply to 7.2 percent in July 2012 from 20.3 percent in July 2011.

Wholesale Price Index (WPI) (percent change)				
	MoM	MoM SA	YoY	12M moving average
Jul-11	-0.4	-0.4	20.3	21.4
Aug-11	0.6	0.3	18.7	21.4
Sep-11	0.2	0.4	17.0	21.3
Oct-11	0.4	0.8	15.4	20.9
Nov-11	-0.5	0.0	12.0	20.1
Dec-11	-1.3	-0.5	8.3	18.8
Jan-12	2.3	2.3	8.7	17.7
Feb-12	0.6	0.4	7.2	16.4
Mar-12	0.7	0.2	4.5	14.7
Apr-12	1.8	1.0	3.8	13.0
May-12	2.1	1.7	7.1	11.7
Jun-12	0.0	0.1	6.4	10.4
Jul-12	0.4	0.4	7.2	9.4
3-year average for July	0.5	0.5	15.2	

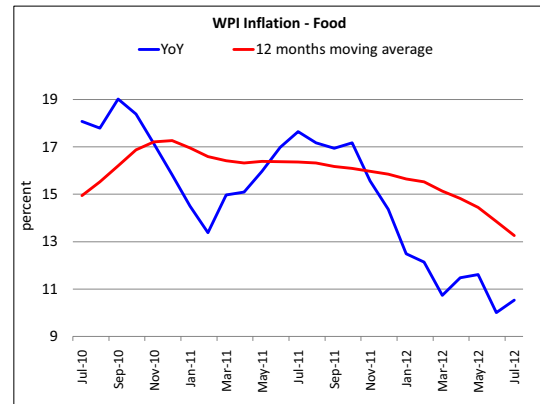


Source: Pakistan Bureau of Statistics, State Bank of Pakistan.



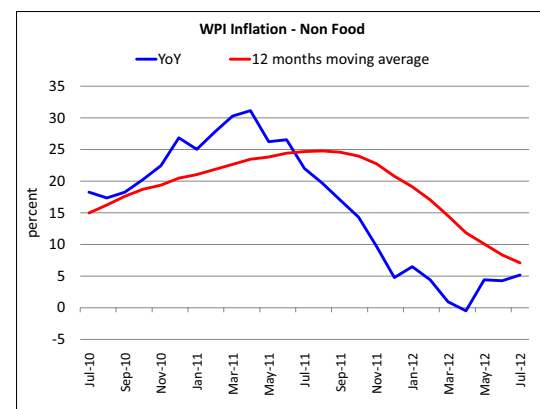
WPI food inflation decreased sharply to 10.5 percent in July 2012 from 17.6 percent in July 2011.

WPI - Food (38.82% weight in basket) (percent change)				
	MoM	MoM SA	YoY	12M moving average
Jul-11	1.9	1.5	17.6	16.4
Aug-11	1.8	1.0	17.2	16.3
Sep-11	1.8	1.4	16.9	16.2
Oct-11	0.5	1.0	17.2	16.1
Nov-11	-0.7	-0.2	15.6	16.0
Dec-11	-1.8	-0.1	14.4	15.8
Jan-12	0.4	-0.3	12.5	15.7
Feb-12	-0.8	0.4	12.1	15.5
Mar-12	1.6	0.9	10.7	15.1
Apr-12	2.2	1.4	11.5	14.8
May-12	1.1	1.6	11.6	14.4
Jun-12	1.5	0.8	10.0	13.9
Jul-12	2.4	2.0	10.5	13.3
3-year average for July	1.9	1.5	15.4	



WPI non-food (YoY) also decreased sharply to 5.1 percent in July 2012 from 22.0 percent in July 2011.

WPI - Non Food (61.18% weight in basket) (percent change)				
	MoM	MoM SA	YoY	12M moving average
Jul-11	-1.8	-1.8	22.0	24.6
Aug-11	-0.2	-0.2	19.7	24.7
Sep-11	-0.7	0.0	17.0	24.5
Oct-11	0.3	0.7	14.3	23.9
Nov-11	-0.4	-0.1	9.7	22.7
Dec-11	-1.1	-0.5	4.7	20.7
Jan-12	3.5	3.1	6.5	19.1
Feb-12	1.4	1.1	4.4	17.0
Mar-12	0.1	-0.5	0.9	14.5
Apr-12	1.5	0.8	-0.5	11.8
May-12	2.8	2.6	4.4	10.1
Jun-12	-1.0	-0.9	4.2	8.4
Jul-12	-0.9	-0.8	5.1	7.1
3-year average for July	-0.3	-0.2	15.1	



Average CPI inflation declined to 9.6 percent in July FY13 against 12.4 percent recorded in July FY12.

	CPI					WPI			SPI
	Headline	Food	Non Food	Trimmed Mean	NFNE	Overall	Food	Non Food	Overall
FY11	13.7	18.0	10.7	12.7	9.4	21.2	16.4	24.4	17.3
FY12	11.0	11.0	11.0	11.5	10.6	10.4	13.9	8.4	8.9
July FY12	12.4	17.1	9.2	11.9	9.6	20.3	17.6	22.0	12.7
July FY13	9.6	9.1	10.0	10.7	11.3	7.2	10.5	5.1	7.3

Source: Pakistan Bureau of Statistics, State Bank of Pakistan.



CPI and SPI Inflation by Groups

Decrease in headline CPI inflation (YoY) in July 2012 was largely contributed by non-food group.

Groups	Weights	Jul-12			Jun-12		
		MoM	YoY	12m MA ¹	MoM	YoY	12m MA ¹
I. Food group	37.5	1.8	9.1	10.4	-0.2	10.3	11.0
Food & non-alcoholic beverages	34.8	1.9	8.7	10.4	-0.7	9.9	11.0
Alcoholic Beverages & Tobacco	1.4	0.7	18.1	9.8	11.1	18.7	8.8
Restaurant & hotels	1.2	0.6	10.3	12.6	0.7	11.1	13.3
II. Non-food group	62.5	-1.7	10.0	11.0	0.2	12.0	11.0
Clothing & footwear	7.6	1.0	15.8	15.3	0.5	15.4	15.1
Housing water, electricity, gas fuels	29.4	-3.5	5.6	7.9	0.1	10.7	8.1
Furnishing & household equipment maintenance etc.	4.2	0.5	20.2	18.9	1.0	22.3	18.2
Health	2.2	1.6	15.6	12.0	2.3	14.3	11.5
Transport	7.2	-2.4	12.6	15.0	-1.6	8.8	15.0
Communication	3.2	0.0	0.1	0.2	1.0	-0.1	0.4
Recreation & culture	2.0	0.2	18.6	9.1	0.3	18.7	8.0
Education	3.9	0.3	9.9	12.0	0.6	11.5	12.2
Miscellaneous	2.8	0.1	15.2	18.8	1.3	15.1	19.0
Overall	100	-0.2	9.6	10.8	0.0	11.3	11.0

SPI inflation (WoW) recorded increase across all the income groups during first week of August 2012.

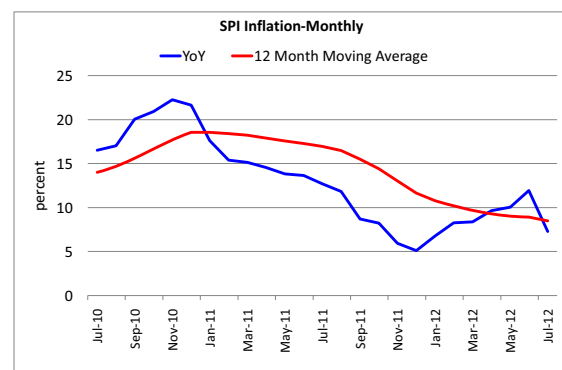
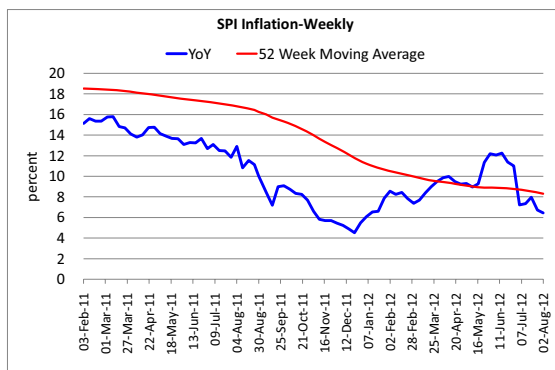
Sensitive Price Indicator (SPI) (percent change)

Income Groups	Percent change (WoW) ²				Jul-12		
	Current	Last week	Two weeks ago	Three weeks ago	MoM	YoY	12m MA ¹
	2-Aug-12	26-Jul-12	19-Jul-12	12-Jul-12			
Up to Rs 8000	0.40	-0.83	0.56	0.15	0.5	7.7	6.7
Rs 8001-12000	0.45	-0.82	0.57	0.14	0.4	9.9	7.8
Rs 12001-18000	0.51	-0.83	0.61	0.14	0.5	9.4	7.9
Rs 18001-35000	0.63	-0.82	0.64	0.12	-2.9	6.6	8.4
Above Rs 35000	0.90	-0.73	0.67	0.10	-5.5	4.7	9.3
All	0.69	-0.79	0.64	0.12	-2.2	7.3	8.5

Sources: Pakistan Bureau of Statistics

¹ Twelve month moving average inflation

² WoW: Week on Week





Balance of Payments

Increase in current account deficit along with falling capital and financial inflows turned the overall balance of payment into a deficit of US\$ 3.3 billion in FY12.

Balance of Payments Summary (million \$)

Items	Jun-12	FY12	FY11
A) Current account	-586	-4,517	214
1. Trade balance	-1,470	-15,381	-10,516
Exports	2,035	24,655	25,356
Imports	3,505	40,036	35,872
2. Services (net)	-409	-3,013	-1,940
Receipts	417	4,949	5,768
Payments	826	7,962	7,708
3. Income (net)	-230	-3,407	-3,017
Receipts	68	820	716
Payments	298	4,227	3,733
4. Current transfers (net)	1,523	17,284	15,687
Receipts: of which	1,530	17,404	15,863
Remittances	1,117	13,186	11,201
Payments	7	120	176
B) Capital and financial account: of which	178	1,520	2,262
1. Foreign investment	-12	588	1,929
FDI (net) ¹	56	747	1,591
FPI	-68	-159	338
2. Foreign long term loans	147	448	864
Disbursements	306	2,322	2,846
Amortization	159	1,874	1,982
C) Errors & omissions	-3	-283	16
Overall balance (A+B+C)	-411	-3,280	2,492
SBP gross reserves²	11,901	11,901	16,614
SBP net liquid reserves³	10,799	10,799	14,784

¹ Net FDI inflows equals direct investment in Pakistan less direct investment made by Pakistanis abroad.

² SBP gross reserves includes foreign currency cash holdings and excludes unsettled claims on RBI.

³ SBP reserves without CRR, sinking fund and foreign currency cash.

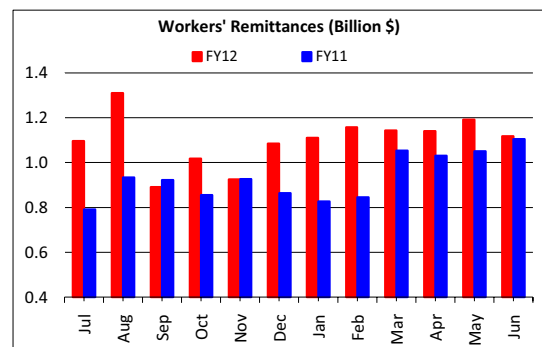
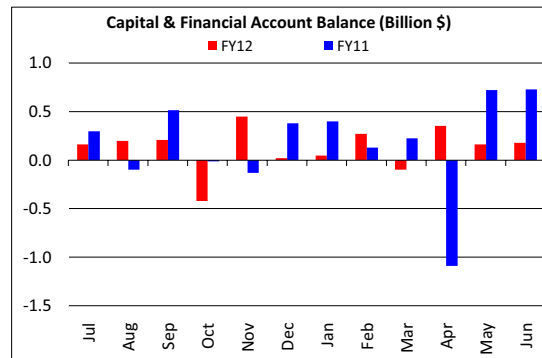
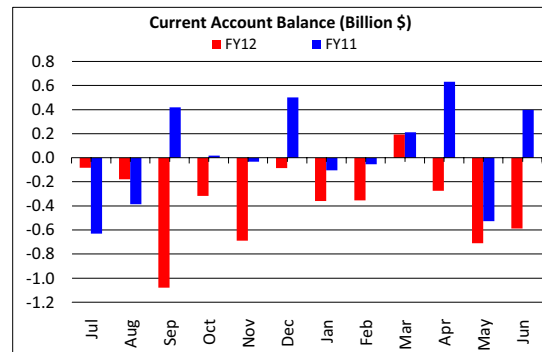
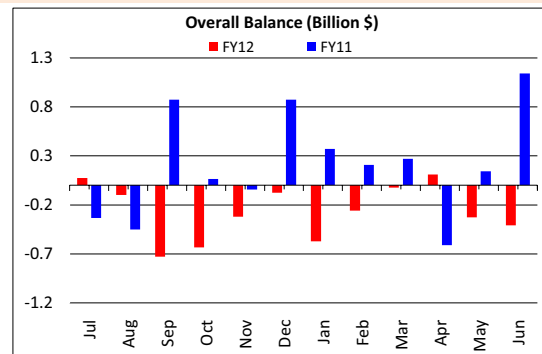
Despite global economic crisis, Pakistan received record workers' remittances (US \$ 13.2 billion) in FY12.

Workers' Remittances⁴ (million \$)

	Jun-12	FY12	FY11	FY10
Total: of which	1,117	13,187	11,201	8,905
USA	207	2,334	2,069	1,771
UK	127	1,521	1,200	876
Saudi Arabia	334	3,687	2,670	1,918
UAE	219	2,849	2,598	2,039
GCC ⁵	128	1,495	1,306	1,238
Others	103	1,300	1,359	1,063

⁴ Only cash, ⁵ Kuwait, Qatar, Bahrain and Oman

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



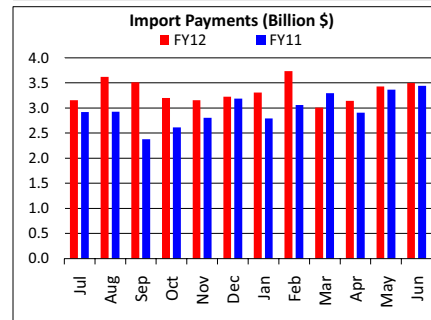
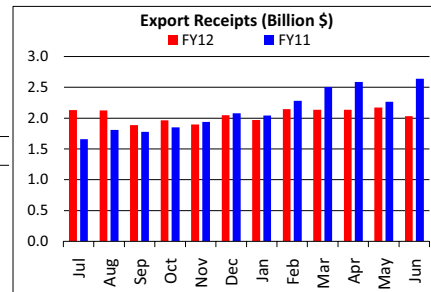
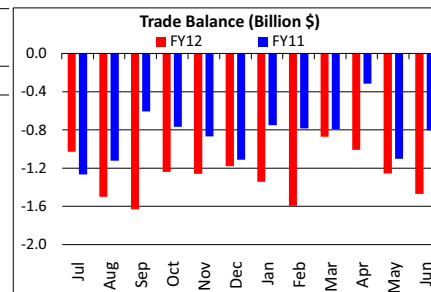


Trade and Foreign Investment

Trade deficit has widened further during FY12, both due to increase in import payments and decline in export receipts.

Trade in Goods -Major Groups (million \$)

	Jun-12	FY12	FY11	Shares ¹ FY12
Exports	2,035	24,655	25,355	100
Textile group	1,058	13,025	13,076	53
Cotton cloth	214	2,572	2,444	10
Knitwear, bed wear	173	2,278	2,709	9
Readymade garments	125	1,414	1,092	6
Other manufactures group	390	4,630	4,242	19
Leather items ²	76	908	895	4
Chemical and pharma	107	1,265	1,090	5
Cement	47	503	496	2
Engineering goods	34	392	423	2
Food group	307	3,780	4,129	15
Rice	151	2,066	2,118	8
All Others	280	3,220	3,909	13
Imports	3,505	40,036	35,872	100
Petroleum group	1,148	14,368	12,317	36
Petroleum products	925	9,936	8,311	25
Petroleum crude	223	4,433	4,006	11
Machinery group	414	3,859	3,926	10
Power machinery	46	488	714	1
Electrical machinery	54	484	500	1
Telecome	123	954	766	2
Agri. & other chemicals group	528	6,740	5,652	17
Fertilizer manufactured	33	1,039	460	3
Plastic materials	123	1,507	1,392	4
Food group	392	4,712	4,546	12
Palm oil	207	2,396	1,850	6
Sugar	1	11	650	0
Metal group	249	2,341	2,034	6
Iron steel (IS) & IS scrap	203	1,881	1,575	5
All Others	774	8,016	7,397	20



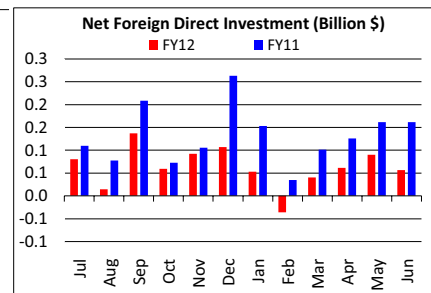
¹ Share is calculated as cumulative flow of a group(item) divided by cumulative flow of total imports during FY12

² Include tanned and manufactured leather

FDI inflows fall significantly in FY12; almost to half of the level observed in FY11.

Foreign Direct Investment inflows in Pakistan (million \$)³

	Jun-12	FY12 ⁴	FY11
Total: Of which	56	813	1,635
Major countries			
USA	20	362	238
U.A.E.	-4	3	284
UK	-44	53	207
China	4	103	47
Major sectors			
Communication	-11	-315	-34
Financial services	1	56	310
Oil & gas exploration	87	613	512
Power	-61	-85	156
Trade	2	26	53



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

⁴ From FY12, reporting procedure for country-wise FDI inflows has been changed. Comparable numbers for the previous year(s) are not available.

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



Global Economy

During last two months, many of the central banks reduced their policy rates.

Policy Rates in Major Economies

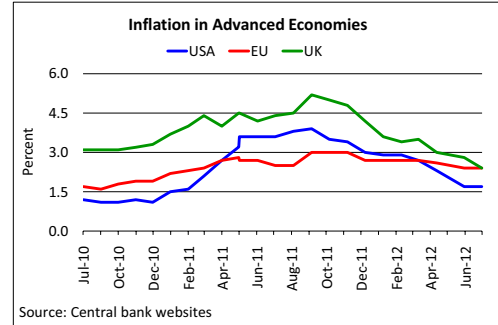
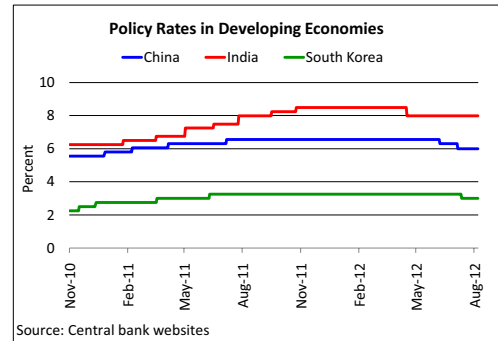
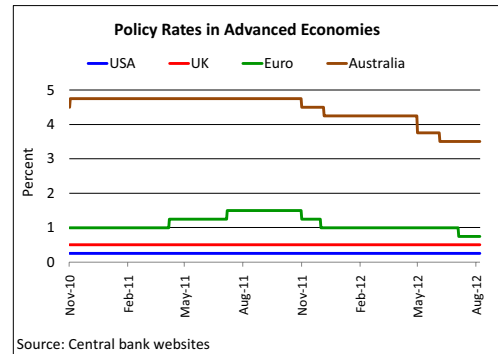
Major Economies	Current Policy Rate	Previous	Previous	Change (bps)
USA ¹	0.25	1.00	Dec 16 2008	↓ -75
UK	0.50	1.00	Mar 05 2009	↓ -50
ECB	0.75	1.00	Jul 05 2012	↓ -25
Japan ¹	0.10	0.30	Dec 20 2008	↓ -20
Canada	1.00	0.75	Sep 08 2010	↑ 25
Australia	3.50	3.75	Jun 05 2012	↓ -25
China	6.00	6.31	Jul 06 2012	↓ -31
India	8.00	8.50	Apr 17 2012	↓ -50
South Korea	3.00	3.25	Jul 12 2012	↓ -25
Malaysia	3.00	2.75	May 05 2011	↑ 25
Indonesia	5.75	6.00	Feb 09 2012	↓ -25
Thailand	3.00	3.25	Jan 25 2012	↓ -25

¹ 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.

Most of the economies observed deceleration in growth during first quarter of 2012.

Key Macroeconomic Indicators

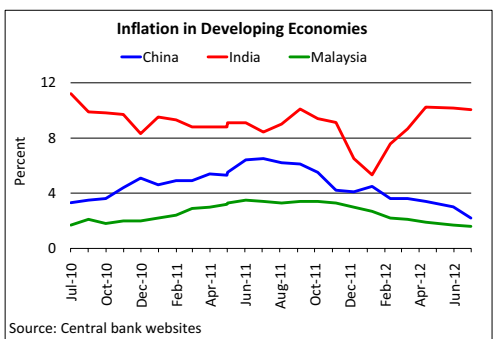
	Inflation (YoY) ²	GDP Growth ³	Current Account Balance	Fiscal Balance
	Jun-12	Q1-2012	as a percentage of GDP (Q1-2012)	
USA	1.7	2.0	-3.2	-8.1
UK	2.4	-0.8	-1.7	-8.2
Euro Area	2.4	0.0	-0.5	-3.0
Japan	-0.2	2.8	1.5	-9.3
Australia	1.2	4.3	-4.5	-0.7
China ⁴	2.2	7.6	1.4	-2.3
India	10.1	5.3	-4.9	-6.2
Sri Lanka	9.3	7.9	-	-
South Korea	2.2	2.4	3.1	1.9
Malaysia	1.6	4.7	8.0	-5.2
Indonesia	4.5	6.3	-0.5	-2.2
Thailand	2.6	0.3	0.7	-2.3



The World Bank and IMF have revised the forecast of world economic growth downward.

World Economic Outlook - Real GDP Growth

	2011 (IMF Estimated)	2012 Projections		
		IMF (Jul-12)	World Bank (Jun-12)	OECD (May-12)
World output	5.1	3.5	2.5	-
Advance	3.0	1.4	1.4	-
US	2.9	2.0	2.1	2.4
Euro area	1.8	-0.3	-0.3	1.0
Japan	4.0	2.4	2.4	2.0
UK	1.3	0.2	-	0.5
Emerging & Developing	7.4	5.6	5.3	-
Russia	4.0	4.0	3.8	4.5
China	10.3	8.0	8.2	8.2
India	10.4	6.1	6.6	7.3
ASEAN-5	6.9	5.4	-	-



² Inflation is YoY percent changes in CPI.

³ Growth is measured as percentage change over the same quarter of previous year.

⁴ Data for GDP growth is of Q2 of 2012

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



International commodity prices, except for metals and sugar, increased in July 2012.

World Commodity Price Indices (2005=100)

	Jul-12	% change since	
		Jun-12	End Jun-11
Global CPI	177.0	↑ 4.50	↓ -8.95
Food CPI	183.0	↑ 8.89	↓ -0.61
Commodity non-fuel CPI	172.6	↑ 4.18	↓ -11.01
Metal CPI	183.2	↓ -1.37	↓ -22.30
Crude Oil (\$/bbl)	96.8	↑ 6.64	↓ -9.34
Palm oil (\$/m. ton)	952.5	↑ 2.69	↓ -11.47
Soya bean Oil (\$/m. ton)	1175.3	↑ 7.06	↓ -5.98
Wheat (\$/m. ton)	345.7	↑ 25.16	↑ 5.89
Gold spot (\$/Oz) ¹	1612.2	↑ 1.79	↑ 7.45
Sugar (US cents/pound)	28.7	↓ -0.62	↓ -18.25

Source: IMF-IFS

Global stock market indices are showing significant improvement in stochn prices.

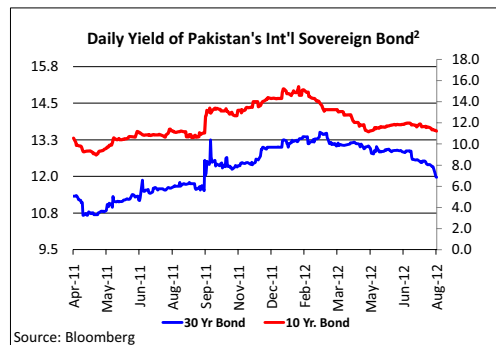
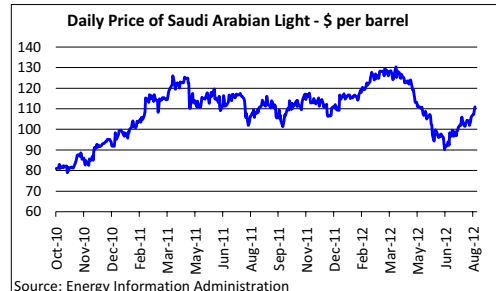
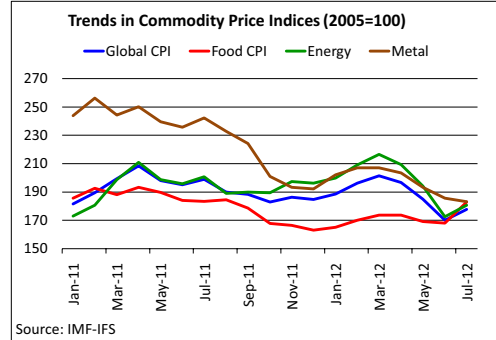
Capital Market Indices

	Latest - 09th Aug, 2012	% change since	
		Jul-12	End Dec-11
US (DJIA)	13165.2	↑ 2.2	↑ 7.1
DJ EURO STOXX	2437.0	↑ 8.3	↓ -80.2
UK (FTSE 100)	5851.5	↑ 5.0	↓ -52.4
Japan (Nikkei 225)	8905.0	↑ 4.2	↓ -27.5
China (SSEA)	2171.4	↑ 2.1	↓ -82.3
France (CAC 40)	3456.7	↑ 7.8	↓ -71.9
Germany (DAX)	6965.0	↑ 5.8	↓ -43.3
India (BSE)	17524.0	↑ 4.2	↑ 42.6
World dev'd (MSCI)	1248.1	↑ 0.7	↑ 5.4
Emerging Markets (MSCI)	954.2	↑ 2.5	↑ 3.2
World all (MSCI)	315.6	↑ 1.0	↑ 5.2

¹Updated till Aug 06, 2012

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

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





Revenues, Expenditures and Fiscal Balances

Fiscal deficit for Jul-Mar FY12 is recorded at 4.3 percent of GDP.

Revenues (billion Rs)

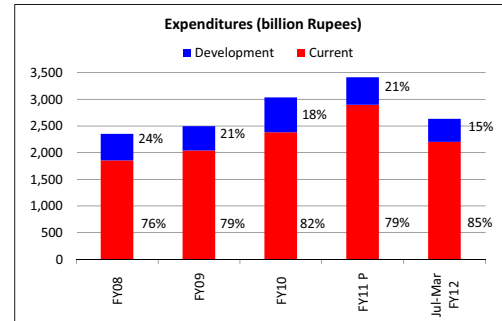
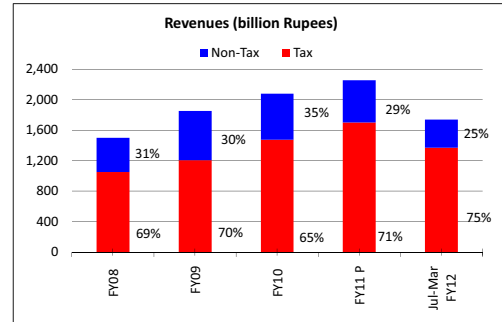
	FY12		FY11
	BE ¹	(Jul-Mar)	
Total revenues	2,870	1,739	2,253
Tax revenue	2,176	1,372	1,699
Growth (YoY) %	25.2	22.7	15.4
of which: FBR revenues	1,952	1,273	1,550
Non-tax revenues	694	368	554
Growth (YoY) %	32.7	-2.6	-8.6

Expenditures (billion Rs)

	FY12		FY11
	BE ¹	(Jul-Mar)	
Total expenditures	3,711	2,634	3,447
Current ²	3,053	2,206	2,933
Growth (YoY) %	4.1	-24.8	23.2
Interest payments	791	624	698
Defence	495	348	451
Development & net lending	658	428	514
Growth (YoY) %	28.0	21.3	-21.3

Overall Balance (billion Rs)

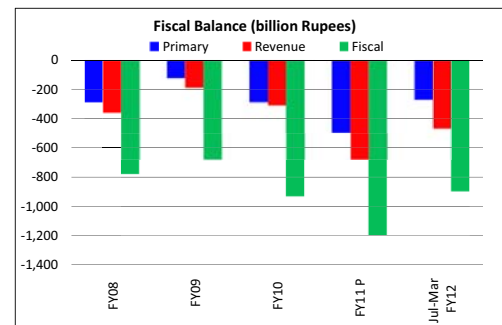
	FY12		FY11
	BE ¹	(Jul-Mar)	
Fiscal Balance³	-841	-895	-1,194
Revenue Balance ⁴	-183	-467	-680
Primary Balance ⁵	-50	-270	-496



A significant portion of the fiscal deficit in Jul-Mar FY12 was financed through borrowing from the banking system.

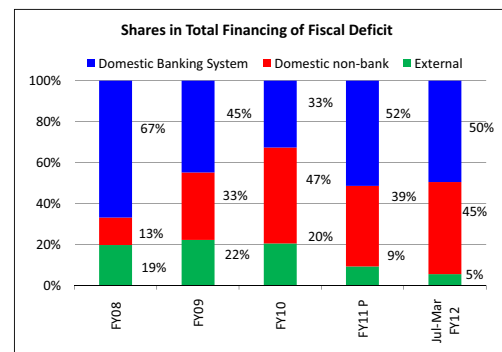
Financing of Fiscal Deficit (billion Rs)

	FY12		FY11
	BE ¹	(Jul-Mar)	
Financing	841	895	1,194
1. External	65	47	108
2. Domestic: of which	706	848	1,087
Non-bank	413	404	472
Banking system: of which	293	444	615
Schedule Banks	293	249	647
SBP	0	196	-32
Privatization proceeds	70	-	-



FBR Tax Collection (billion Rs)

	Direct	Sales	Customs	FED ⁶	Total taxes
May-11	47	79	18	16	160
Jun-11	124	80	26	19	249
Jul-11	29	62	12	10	112
Aug-11	32	64	14	10	121
Sep-11	64	59	16	9	148
Oct-11	40	64	15	9	126
Nov-11	46	61	16	10	132
Dec-11	103	71	21	7	202
Jan-12	42	66	17	12	136
Feb-12	51	58	17	7	133
Mar-12	73	65	21	11	170
Apr-12	50	67	18	11	146
May-12	72	76	21	13	182
Jul-May FY12⁷	601	711	187	109	1,608
Jul-May FY11	478	554	159	118	1,309



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

¹ Budget Estimates (Source: Ministry of Finance); ² Inclusive of unidentified expenditures; ³ Fiscal balance = total revenue - total expenditure; ⁴ Revenue balance = total revenue - current expenditure (note current expenditure are inclusive of unidentified expenditure); ⁵ Primary balance = total revenue - total expenditure + interest payment; ⁶ Federal excise duty; ⁷ Jul-May FY12 cumulative collection as received from FBR, totals might differ due to revisions in monthly data. Also, these figures are provisional. ⁸ Provisional

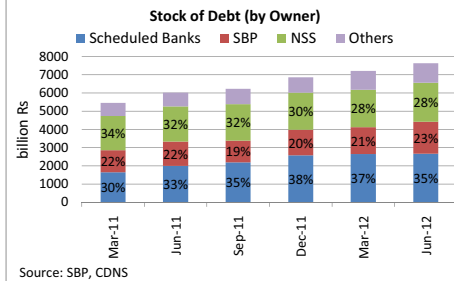


Government Domestic Debt

Stock of government domestic debt has increased by 27 percent during FY12.

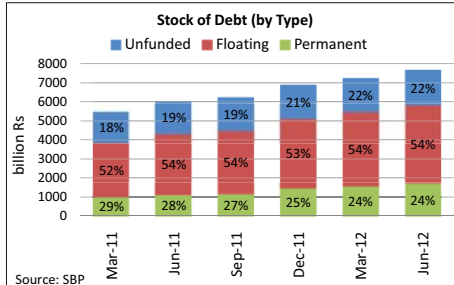
Debt by Owner - end period stocks (billion Rs)

	Jun-12	Jun-11	Change since Jun-11
1.Bank	4,427.6	3,328.1	1,099.4
Commercial banks	2,664.8	2,007.5	657.3
SBP	1,762.8	1,320.6	442.2
2.Non-bank	3,208.8	2,687.5	521.3
National Saving Schemes (NSS)	2,130.7	1,932.9	197.9
Others	1,078.1	754.6	323.4
3.Foreign Currency Instruments¹	1.4	1.4	0
Total(1+2+3)	7,637.8	6,017.0	1,620.8



Debt by Type - end period stocks (billion Rs)

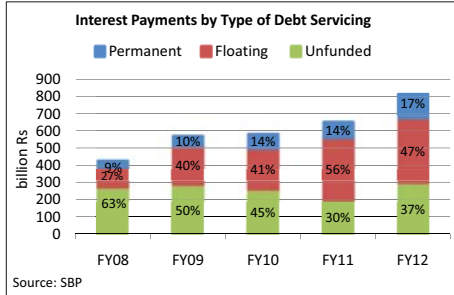
	Jun-12	Jun-11	Change since Jun-11
1.Long term	3,493.2	2,780.2	713.0
Permanent: of which	1,695.9	1,124.4	571.5
PIBs	974.7	618.5	356.2
Prize bonds	333.4	277.1	56.3
Unfunded: of which	1,797.3	1,655.8	141.5
NSS ²	1,675.7	1,544.3	131.4
2.Short term (floating): of which	4,143.1	3,235.4	907.7
MTBs	2,383.4	1,917.9	465.6
MRTBs-replenishment	1,759.7	1,317.5	442.2
3.Foreign Currency Instruments¹	1.4	1.4	0
Total(1+2+3)	7,637.8	6,017.0	1,620.8
Government Domestic Liabilities³	242.1	214.2	27.9



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

²NSS includes certificates and saving accounts only.

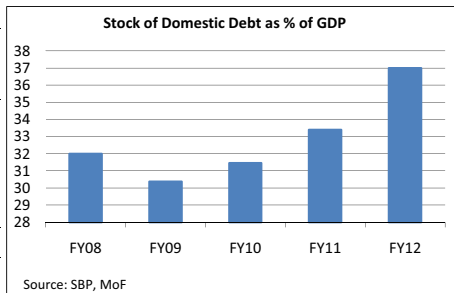
³This reflects provincial governments' borrowings from banks for commodity operations.



Interest payments on permanent debt have increased by 48.1 percent during FY12.

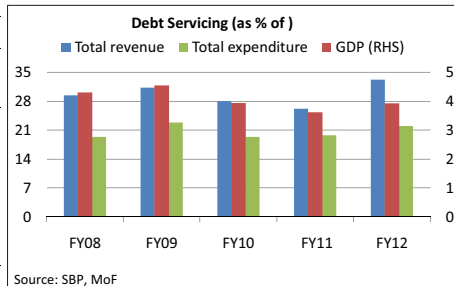
Debt Servicing (billion Rs)

	FY12	FY11	Change since June FY11 (%)
Permanent ⁴	136.0	91.8	48.1
Floating	377.1	361.4	4.4
Unfunded	297.1	197.1	50.8
Total	810.3	650.3	24.6



Indicators of Domestic Debt Sustainability

Debt Stock as % of GDP					
	FY08	FY09	FY10	FY11	FY12 ⁵
	32.0	30.3	31.4	33.4	37.0
Debt Servicing as % of					
	FY08	FY09	FY10	FY11	FY12 ⁵
GDP	4.3	4.5	3.9	3.6	3.9
Total revenue	29.4	31.2	28.0	26.2	33.2
Tax revenue	41.9	48.0	39.5	34.5	42.1
Total expenditure	19.3	22.8	19.3	19.7	21.9
Current expenditure	23.8	28.3	24.4	22.3	26.2



⁴ Includes prize bonds;

⁵Provisional GDP at current market prices of FY12 has been used to calculate Domestic Debt/GDP ratio. The fiscal data for Jul-Mar 12 has been used to calculate the ratios.

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



External Debt

Stock of external debt and liabilities declined by \$1.6 billion during Jul-Mar FY12.

Debt & Liabilities - end period stocks (million \$)

Items	Jun-11 ^R	Mar-12	Change since Jun-11
1. Public debt (a+b+c)	57,896	56,032	-1,864
a) Government Debt	46,374	45,435	-939
i) Medium and long term (>1 yr)	45,734	45,028	-706
Paris club	15,462	14,935	-527
Multilateral	25,837	25,280	-557
Other bilateral	1,925	2,428	503
Euro/Sukuk global bonds	1,550	1,550	0
Military debt	135	135	0
Commercial loans/credits	0	0	0
Local currency bonds (TBs & PIBs)	25	0	-25
Saudi fund for development. (SFD)	200	200	0
SAFE China deposits	500	500	0
NBP/BOC deposits	100	0	-100
ii) Short term (<1 yr)	640	407	-233
IDB	608	400	-208
b) From IMF	8,940	8,066	-874
i) Federal government	1,997	1,942	-55
ii) Central bank	6,943	6,124	-819
c) Foreign exchange liabilities (FEL) ²	2,582	2,531	-51
2. PSE guaranteed debt	84	236	152
3. PSE non-guaranteed debt	975	919	-56
4. Scheduled banks' borrowing	386	697	311
i) Medium and long term (>1 yr)	104	101	-3
ii) Short term (<1 year)	282	596	314
5. Private guaranteed debt	0	0	0
6. Pvt. non-guaranteed debt (>1 yr)	2,379	2,274	-105
7. Private non-guaranteed bonds	124	124	0
Total external debt (excl. FEL)	59,262	57,752	-1,510
Total external debt & liabilities (1+2+3+4+5+6+7)	61,844	60,283	-1,561

Debt Servicing (million \$)

Items	FY11 ^R	Jul-Mar FY12
1. Public debt (a+b+c)	2,827	2,296
a) Government debt ¹	2,248	1,570
Principal	1,491	1,083
Interest	756	487
b) To IMF	442	717
Principal	268	587
Interest	174	130
c) Foreign exchange liabilities	137	9
Principal	122	0
Interest	15	9
2. PSEs guaranteed debt	160	30
Principal	141	22
Interest	19	8
3. PSEs non-guaranteed debt ¹	199	164
Principal	169	143
Interest	30	21
4. Scheduled banks' borrowing ¹	21	17
Principal	15	14
Interest	6	3
5. Private guaranteed debt	0	0
6. Private non-guaranteed debt	311	269
Principal	247	212
Interest	64	57
7. Private non-guaranteed bonds	5	5
Principal	0	0
Interest	5	5
Total external debt servicing (1+2+3+4+5+6+7)	3,523	2,778
Principal	2,454	2,060
Interest	1,069	718

¹ Only long term debt servicing included (Revised)

Stock of external debt, as percent of GDP, has declined to 26.5 percent in March 2012 from 29.4 percent in June 2011.

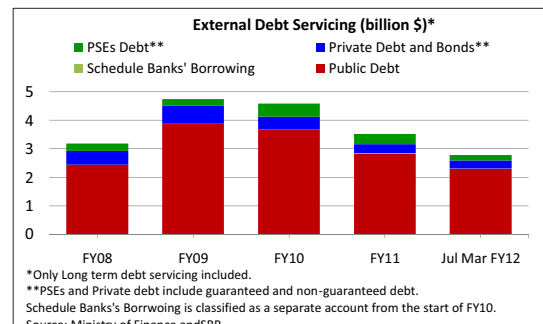
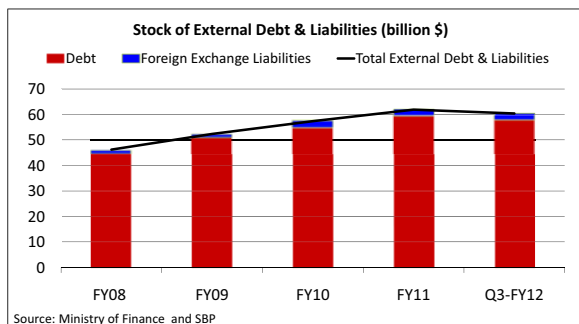
Indicators of External Debt Sustainability

Debt Stock as % of

	FY07	FY08	FY09	FY10	FY11	FY 12 ¹
GDP	28.1	30.8	33.5	33.0	29.4	26.5
Reserves	257.7	405.0	421.2	342.5	339.0	394.4
Exports	233.4	226.0	273.7	291.6	243.1	244.5

External Debt Servicing as % of

	FY07	FY08	FY09	FY10	FY11 ³	FY12 ⁴
	2.0	2.1	3.0	3.3	1.7	1.3
	18.4	27.9	38.2	34.5	19.3	18.2
	16.6	15.6	24.8	29.4	13.8	11.3



R: Revised; ²Allocation of SDR added to FEL; ³ Only long term debt servicing included from FY11 and onwards(Revised) ⁴Data for July-March is used. Provisional GDP at current market prices of FY12 has been used to calculate External Debt/GDP ratio for July 2011 to onward. End Period Total Liquid Reserves are used.

Sources: Economic Affairs Division and SBP



Monetary Policy Information Compendium

August 2012

Total Debt

Stock of total debt and liabilities increased by Rs. 1.1 billion during Jul-Mar FY12, mainly due to increase in government domestic debt.

Total Debt Stock (billion Rs)

	Mar-12	Jun-11	Change since Jun-11	Share
Total Debt & Liabilities (I to VIII)	13,248.8	12,146.1	1,102.7	100.0
Total Public Debt (I to IV)	12,289.5	10,995.5	1,294.0	92.8
Total External Debt & Liabilities (II to VI)	5,467.8	5,318.0	149.8	41.3
Commodity Operations & PSEs Debt (VI to VIII)	678.6	902.1	-223.5	5.1
<i>I. Government Domestic Debt</i>	7,207.2	6,017.0	1,190.2	54.4
<i>II. Government External Debt¹</i>	4,121.1	3,987.8	133.3	31.1
<i>III. Debt from IMF</i>	731.61	768.75	-37.1	5.5
<i>IV. External Liabilities</i>	229.6	222.0	7.5	1.7
<i>V. Private Sector External Debt</i>	280.7	248.4	32.3	2.1
<i>VI. PSEs External Debt</i>	104.8	91.1	13.7	0.8
<i>VII. PSEs Domestic Debt</i>	267.3	411.5	-144.3	2.0
<i>VIII. Commodity Operations Debt²</i>	306.5	399.5	-93.0	2.3

Total Debt Servicing (billion Rs)

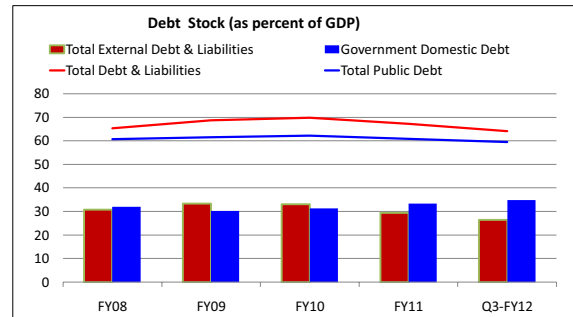
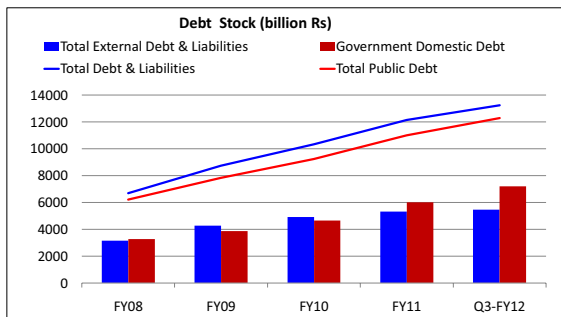
	Jul-Mar FY12	FY11	Share
Total Debt Servicing	864.1	1016.2	100.0
Total Interest Payment	681.3	806.3	78.8
<i>Domestic Debt</i>	577.2	649.9	66.8
<i>External Debt</i>	62.5	90.2	7.2
<i>External Liabilities³</i>	0.8	1.3	0.1
<i>Domestic Liabilities</i>	40.8	65.0	4.7
Principal Repayment of External Debt & Liabilities ⁴	182.8	209.9	21.2

Debt stock (as percent of GDP)

	Jun-09	Jun-10	Jun-11	Mar-12 ⁵
Total Debt & Liabilities	68.7	69.7	67.2	64.1
Total Public Debt	61.6	62.2	60.9	59.5
Total External Debt & Liabilities	33.5	33.0	29.4	26.5
Government Domestic Debt	30.3	31.4	33.3	34.9
PSEs Debt & Liabilities	5.6	6.0	5.0	3.3

Debt Servicing (as percent of)

	FY09	FY10	FY11	FY12 ⁶
Tax revenue	80.5	73.5	78.3	63.0
Total revenue	52.4	52.1	59.3	49.7
Total expenditure	38.3	36.0	44.7	32.8
Current expenditure	47.5	45.4	50.6	39.2
GDP	7.6	7.3	8.2	4.2



Note: ¹ Rupee value of external debt computed by applying the corresponding end period average exchange rate to the end-period stock; ² This includes borrowings from banks by provincial governments and PSEs for commodity operations; ³ Rupee value of external liabilities computed by applying the corresponding period average exchange; ⁴ Short term debt Excluded; ⁵ Provisional GDP at current market prices of FY12 has been used to calculate Debt/GDP ratio for July 2011 to onward; ⁶ The data of Jul- Mar FY12 of Fiscal is used only.

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



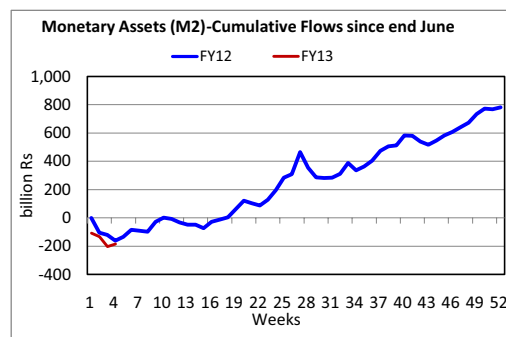
Monetary and Credit Aggregates

Substantial contraction in NFA led to deceleration in M2 growth in FY12. Contraction in NFA continues in July 2012.

Monetary Assets of the Banking System

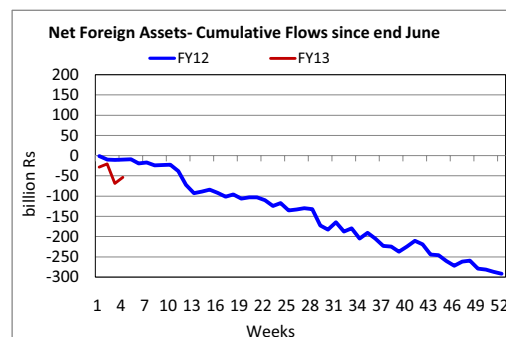
(billion Rs)

	End June 2012 Stocks	Cumulative Flows since end June		FY12
		Latest week	A year ago	
		27-Jul-12	30-Jul-11	
NFA	526.6	-54.0	-9.2	-253.6
NDA	7,115.2	-129.0	-123.6	1,200.2
Government borrowings: of which	4,258.0	6.9	66.8	1,237.4
Budgetary borrowing	3,799.9	-6.5	65.8	1,198.3
Commodity operations	436.1	13.4	1.0	38.6
Non-government borrowings: of which	3,652.7	-51.6	-74.2	105.4
Private sector	3,376.4	-52.3	-68.3	235.2
PSEs	257.2	0.7	-5.9	-130.5
Other items (net)	-795.5	-84.3	-116.3	-142.6
M2	7,641.8	-183.1	-132.8	946.6



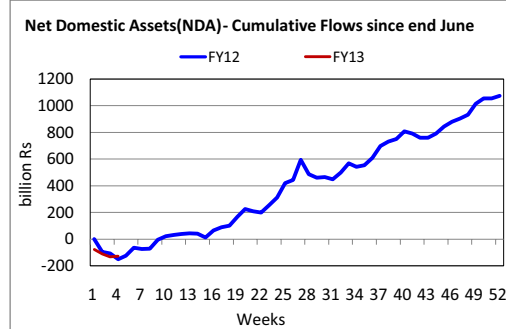
Monetary Liabilities of the Banking System

Currency in circulation	1,673.7	64.4	41.9	172.3
Total deposits with banks	5,959.1	-247.7	-174.2	775.5
Demand deposits with banks	4,712.4	-260.3	-170.5	588.9
Time deposits with banks	806.6	12.6	-7.8	121.5
RFCDs with banks	440.1	0.0	4.1	65.2
M2	7,641.8	-183.1	-132.8	946.6



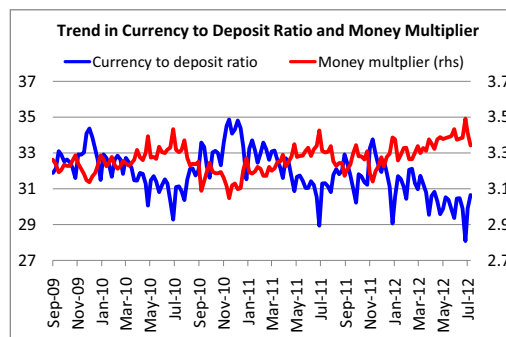
Percent Growth in Monetary Assets of the Banking System

	YoY (27-Jul-12)	Since end June		FY12
		27-Jul-12	30-Jul-11	
NFA	-38.7	-10.3	-1.2	-32.5
NDA	20.6	-1.8	-2.1	20.3
Government borrowings	38.1	0.2	2.2	41.0
Budgetary borrowing	42.2	-0.2	2.5	46.1
Commodity operations	12.8	3.1	0.3	9.7
Non-government sector borrowings	3.7	-1.4	-2.1	3.0
Private sector	8.2	-1.5	-2.2	7.5
PSEs	-32.5	0.3	-1.5	-33.7
Other items (Net)	14.4	10.6	17.8	21.8
M2	13.7	-2.4	-2.0	14.1



Memorandum Items

	Latest week	A year ago	FY12
	27-Jul-12	30-Jul-11	
Money multiplier	3.33	3.34	3.49
Currency to deposit ratio	30.4	30.8	28.1
M2 to GDP ratio	31.4	31.8	37.1
Private sector credit to GDP ratio	14.0	14.9	17.4



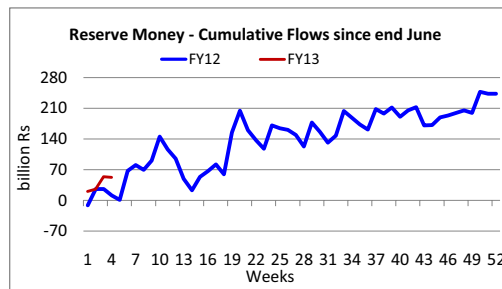
Note: All FY12 numbers are provisional; Source: Statistics & Data Warehouse Department (S&DWD), SBP



FY12 ended with a sharp deceleration in reserve money growth, as NFA of SBP declined significantly.

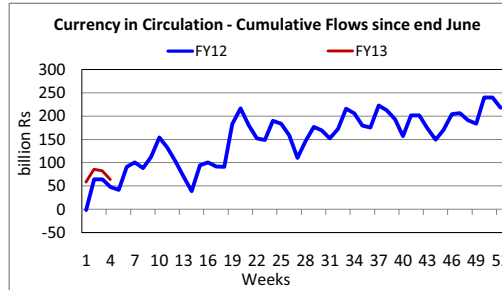
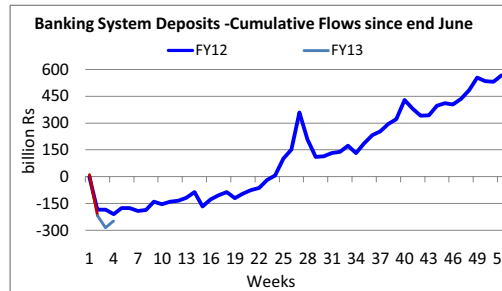
Monetary Assets of SBP

	(billion Rs)			
	End June 2012 Stocks	Cumulative Flows		FY12 (Provisional)
		Latest week 27-Jul-12	A year ago 30-Jul-11	
NFA	388.6	-58.1	12.1	-225.4
NDA: of which	1,800.3	110.0	-11.4	448.5
Budgetary borrowing	1,706.0	-187.8	-24.9	505.3
Other items (net)	-211.7	303.7	21.3	-142.6
Net Impact of OMOs/Discounting	110.5	310.7	44.6	46.9
Reserve money	2,188.9	51.8	0.7	223.0



Monetary Liabilities of SBP

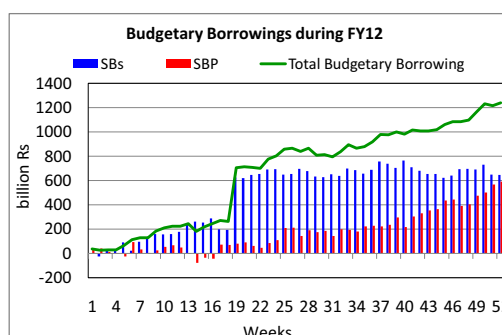
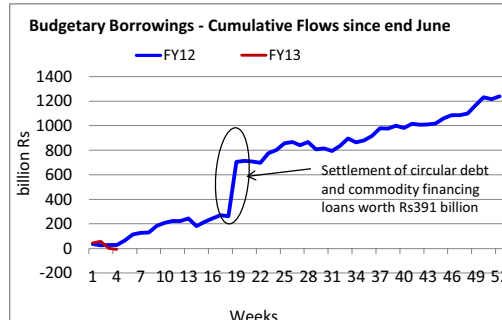
	(billion Rs)			
	End June 2012 Stocks	Cumulative Flows		FY12
		Latest week 27-Jul-12	A year ago 30-Jul-11	
Currency in circulation	1673.7	64.4	41.9	172.3
Cash in tills	110.1	7.6	-14.8	5.2
Bank deposits with SBP (reserves)	396.2	-20.4	-25.8	46.7
Other deposits with SBP	8.9	0.2	-0.6	-1.2
	YoY (27-Jul-12)	Percent growth		(billion Rs)
NFA of the SBP	-47.2	-15.0	2.0	-225.4
NDA of the SBP: of which	42.5	6.1	-0.8	448.5
Budgetary borrowing	29.1	-11.0	-2.1	505.3
Other items (net)	-158.0	-143.5	-11.8	-31.6
Reserve money	13.9	2.4	0.0	223.0



Besides substantial borrowing from scheduled banks, government borrowed a hefty sum of Rs 505 billion from SBP in FY12. In July 2012, government retired SBP borrowing by Rs. 202 billion (on cash basis).

Details on Government Borrowing for Budgetary Support

	(billion Rs)			
	End June 2012 Stocks	Flows during		FY12 ¹
		Latest week 27-Jul-12	A year ago 30-Jul-11	
Budgetary Borrowing	3799.9	-6.5	65.8	1198.3
Federal government	4064.5	10.0	47.7	1161.0
From SBP	1704.3	-171.4	-27.2	505.3
SBP's Holdings of MRTBs	1759.7	-125.0	-125.0	445.2
From SBs	2360.3	181.4	74.9	696.5
Provincial governments	-264.6	-16.4	18.1	37.3
From SBP ²	1.7	-16.4	2.2	40.9
From SBs ³	-266.4	0.0	15.9	-3.6



Memorandum Items

Budgetary Borrowing on Cash basis	3667.2	-14.5	1.0	1143.9
SBP	1662.1	-202.0	-33.1	507.5
SBs	2005.2	187.6	34.1	636.4

¹ Including Rs 391 billion shifted due to settlement of PSEs debt stock.

² Current overdraft ceilings for provinces are: Rs37 billion for Punjab; Rs15 billion for Sindh; Rs10.1 billion for KPK; Rs7.1 billion for Balochistan, Rs2.7 billion for AJK.

³ The end-June 2012 net stock of borrowings was negative as provincial governments' deposits with scheduled banks exceeded their borrowings.

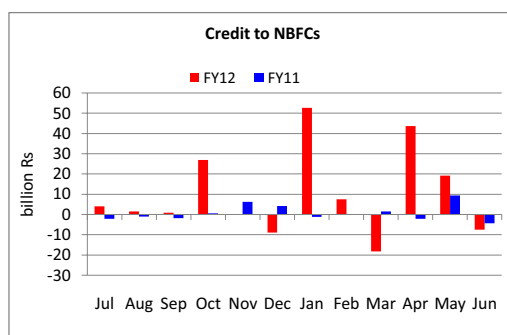
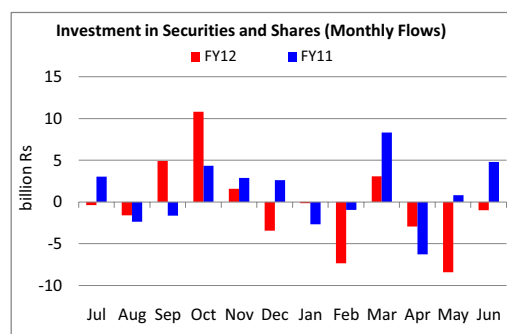
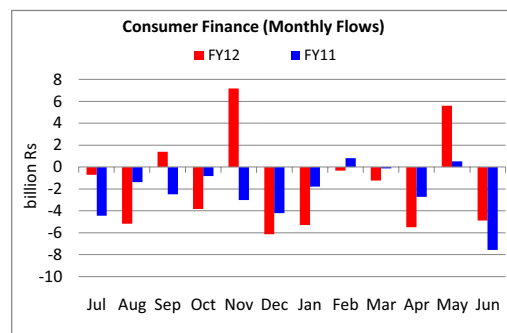
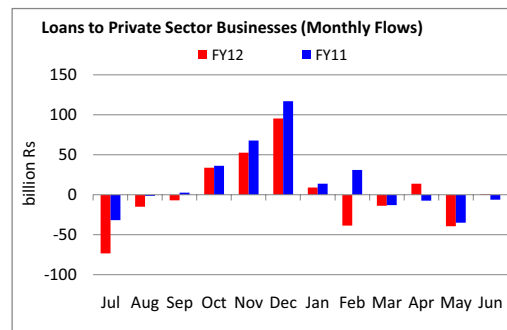


Overall loans to the private sector businesses were significantly lower during FY12.

Credit to Private Sector

	End June 2012 Stocks	Flows during(billion Rs)	
		FY12	FY11
Total credit to private sector	3376.4	235.2	121.3
1. Loans to private sector businesses	2450.1	18.3	173.2
By type			
Working capital: of which	1582.1	-0.1	163.5
Export finance	247.0	-19.8	27.0
Import finance	126.6	-8.1	29.7
Fixed investment	868.0	18.4	9.7
By Sectors: of which			
Agriculture	198.4	↑ 17.9	↑ 11.0
Manufacturing: of which	1389.9	↑ 4.5	↑ 121.9
Textiles	491.0	↓ -23.7	↑ 44.5
Food products & beverages	290.4	↑ 15.1	↑ 61.0
Chemicals & products	172.4	↑ 14.3	↑ 1.3
Non-metallic mineral products	76.5	↓ -18.3	↓ -7.9
Wearing apparel, readymade gar.	48.3	↓ -1.7	↑ 1.8
Electricity, gas and water	278.1	↑ 8.7	↑ 53.9
Construction	53.5	↓ -14.2	↑ 0.6
Commerce and trade	210.0	↓ -3.6	↓ -16.0
Transport, storage and comm.	111.3	↑ 5.1	↑ 1.1
Services: of which	149.9	↓ -3.9	↓ -7.3
Real estate/renting & business act.	107.9	↓ -3.1	↓ -2.2
2. Personal: of which	285.0	↓ -9.0	↓ -27.5
Consumer financing	198.7	↓ -18.9	↓ -27.2
3. Investment in securities and shares	153.2	↓ -4.8	↑ 13.0
4. Others¹	488.0	↑ 230.6	↓ -37.4

¹This includes credit to Non-Bank Finance Companies, some Public Sector Enterprises, and other categories.





Money Market

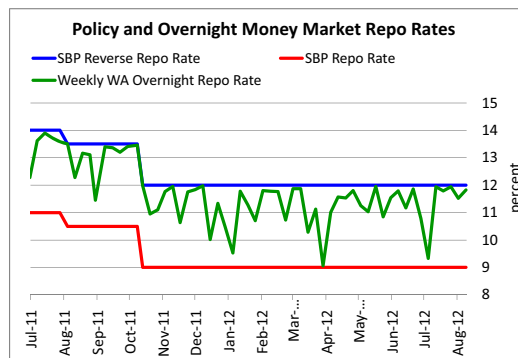
Since October 2011, SBP kept policy rate unchanged at 12 percent.

Policy Instruments (%)

	Current	w.e.f	Previous	w.e.f	Change ¹
SBP reverse repo rate	12.0	10-Oct-11	13.5	1-Aug-11	↓-150
SBP repo rate	9.0	10-Oct-11	10.5	1-Aug-10	↓-150
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

¹ Basis points

DL: Demand Liabilities; TL: Time Liabilities



Banks' excess cash reserves with SBP increased slightly during the week ending on 26th July 2012 compared to last month.

Weekly Cash Reserve Requirements² (billion Rs)

	Week Ended		Change since	
	Current	Last month	28-Jun-12	6-Oct-11 ³
	26-Jul-12	28-Jun-12	28-Jun-12	6-Oct-11 ³
Cash Required	243.6	243.5	↑0.1	↑27.7
Cash Maintained	251.1	250.4	↑0.7	↑26.1
Excess Cash Reserves (per day)	7.4	6.8	↑0.6	↓-1.7

² 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.

³ As on Friday preceding the monetary policy decision of a change in policy rate.

Weighted Average O/N Money Market Repo Rate (%)

	01 Jul 2012 - 09 Aug 2012				
	Q1	Q2	Q3	Q4	YTD
WA O/N Repo Rate ⁴	11.61				11.61
Standard Deviation	0.59				0.59
CoV ⁵	0.05				0.05

01 Jul 2011 - 30 Jun 2012

	Q1	Q2	Q3	Q4	FY11
WA O/N Repo Rate ⁴	13.31	11.55	11.09	11.42	11.75
Standard Deviation	0.48	0.89	0.68	0.39	1.04
CoV ⁵	0.04	0.08	0.06	0.03	0.09

⁴ Weekly Weighted Average O/N Repo Rate

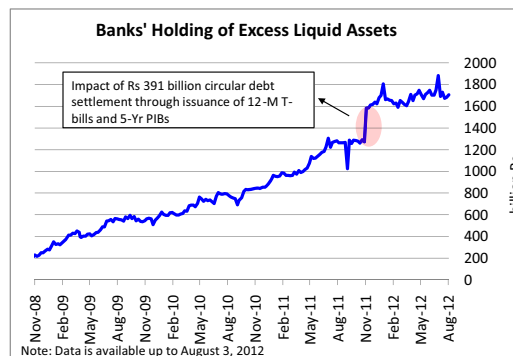
⁵ Coefficient of Variation

Banks' holding of government securities now stands at 85 percent of their total liquid assets maintained.

Overall Reserve Requirement (billion Rs)

	Last Month		Change since	
	Current	Last Month	6-Jul-12	4-Oct-08
	3-Aug-12	6-Jul-12	6-Jul-12	4-Oct-08
Required Reserves	1163.0	1238.2	↓-75.2	↑200.5
Cash ⁶	242.3	258.0	↓-15.7	↓-33.8
Securities ⁷	920.7	980.2	↓-59.5	↑234.3
Maintained	2868.9	2930.0	↓-61.1	↑1850.1
Cash	388.0	375.4	↑12.6	↓-0.9
Cash in Tills	126.9	111.7	↑15.2	↑38.8
Balance with SBP	241.3	243.2	↓-1.9	↓-47.3
Balance with NBP	19.7	20.5	↓-0.7	↑7.6
Securities	2440.1	2513.8	↓-73.7	↑1826.9
Others ⁸	40.8	40.9	↓0.0	↑24.1
Excess of Liquid Assets⁹	1705.9	1691.8	↑14.1	↑1649.6

Source: Off-site Supervision and Enforcement Department, SBP



⁶ Required under weekly average CRR

⁷ Required under SLR

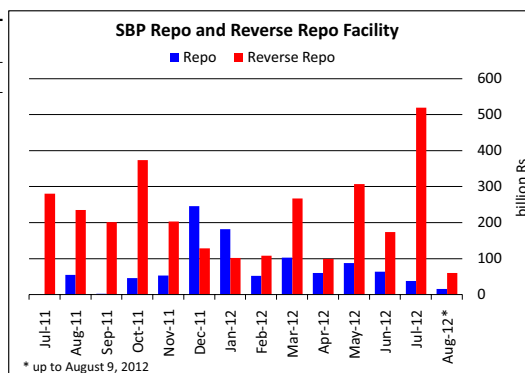
⁸ Includes Section 13(3) deposits and share capital of MFBS.

⁹ Includes excess securities + cash and other assets maintained.



Bank's use of SBP reverse repo facility has increased significantly in July 2012.

	SBP Reverse Repo		SBP Repo	
	Amount	Days	Amount	Days
	billion Rs	No.	billion Rs	No.
FY11	691.3	53	1,138.8	83
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
FY12	2,477.2	119	948.1	47
Q1	716.0	41	56.3	7
Q2	704.9	26	346.9	15
Q3	476.5	25	335.0	13
Q4	579.8	27	209.9	12
FY13	579.7	15	52.6	4
Jul	520.1	13	37.8	3
Aug1	59.7	2	14.9	1



¹ Updated up to August 9, 2012

Source: Domestic Markets & Monetary Management Department, SBP

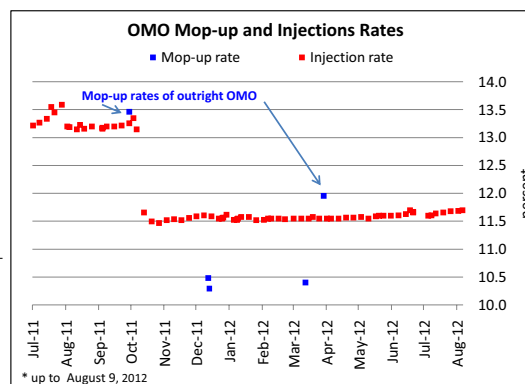
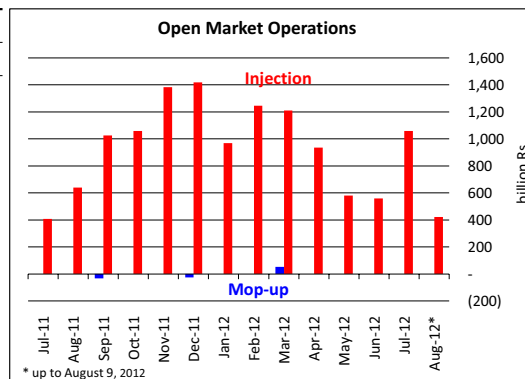
Volume of outstanding net OMO injections by the SBP, after falling considerably in Q4-FY12, has increased again in Jul-Aug FY13.

	Open Market Operations (billion rupees)			Outstanding OMOs	
	Mop-up	Injection	Net Mop-up ²	Amount	Maturity
	FY11	961.3	1,252.8	(291.5)	-
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	-	-
FY12	110.4	11,432.0	(11,321.6)	-	-
Q1	32.4	2,074.0	(2,041.6)	-	-
Q2	24.0	3,859.0	(3,835.0)	-	-
Q3	54.0	3,424.5	(3,370.5)	-	-
Q4	-	2,074.5	(2,074.5)	-	-
FY13	-	1,481.5	(1,481.5)	-	-
06-Jul	-	95.4	(95.4)	-	-
09-Jul	-	39.7	(39.7)	-	-
13-Jul	-	212.5	(212.5)	-	-
20-Jul	-	292.0	(292.0)	-	-
27-Jul	-	419.1	(419.1)	-	-
03-Aug	-	390.2	(390.2)	-	-
07-Aug	-	32.8	(32.8)	(422.9)	10-Aug

Source: Domestic Markets & Monetary Management Department, SBP

² Updated up to August 9, 2012

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

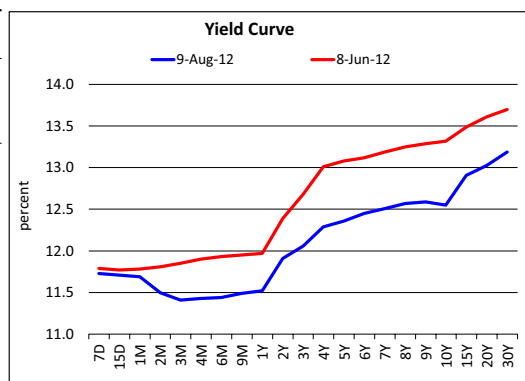




After the release of inflation figures for July 2012, secondary market yield curve has shifted downward.

Pak Rupee Revaluation (PKRV) Rates¹ (%)

Tenors	Current	last month	Change (in basis points) since	
			Last month	
			Last month	Last MPS
	9-Aug-12	9-Jul-12	9-Jul-12	08-Jun-12
1-week	11.73	11.69	↑ 4	↓ -6
2-week	11.71	11.72	↓ -1	↓ -6
1-month	11.69	11.74	↓ -5	↓ -9
3-month	11.41	11.83	↓ -42	↓ -44
6-month	11.44	11.89	↓ -45	↓ -49
9-month	11.49	11.92	↓ -43	↓ -46
1-year	11.52	11.95	↓ -43	↓ -45
2-year	11.91	12.40	↓ -49	↓ -48
3-year	12.06	12.68	↓ -62	↓ -62
5-year	12.36	13.10	↓ -74	↓ -72
7-year	12.51	13.22	↓ -71	↓ -68
10-year	12.55	13.36	↓ -81	↓ -77
20-year	13.03	13.56	↓ -53	↓ -58
30-year	13.19	13.67	↓ -48	↓ -51



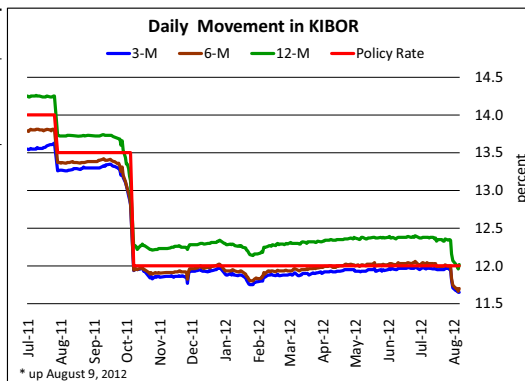
¹ It is secondary market yield-to-maturity used by banks to revalue their holding of securities (i.e. mark to market).

Source: Financial Market Association of Pakistan

Similarly, after remaining stable for the last five months, KIBOR for all tenors has declined recently.

Tenor-wise KIBOR (%)

Tenors	Current	last month	Change (in basis points) since	
			Last month	
			Last month	Last MPS
	9-Aug-12	9-Jul-12	9-Jul-12	08-Jun-12
1-week	11.94	11.89	↑ 5	↓ -2
2-week	11.92	11.95	↓ -3	↓ -8
1-month	11.90	12.02	↓ -12	↓ -17
3-month	11.65	11.96	↓ -31	↓ -31
6-month	11.70	12.02	↓ -32	↓ -32
9-month	11.98	12.33	↓ -35	↓ -34
12-month	12.02	12.38	↓ -36	↓ -36
2-year	12.20	12.50	↓ -30	↓ -27
3-year	12.31	12.58	↓ -27	↓ -26

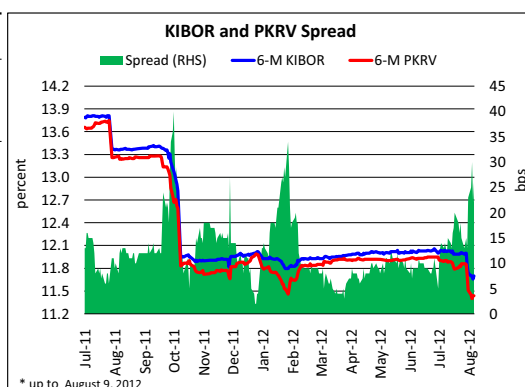


Source: Financial Market Association of Pakistan

According to the latest data available, the spread between 6-month KIBOR and 6-month PKRV rates has increased compared to last month.

KIBOR and PKRV Spread (basis points)

Tenors	Current	last month	Change (in basis points) since	
			Last month	
			Last month	Last MPS
	9-Aug-12	9-Jul-12	9-Jul-12	08-Jun-12
1-week	21	20	↑ 1	↑ 4
2-week	21	23	↓ -2	↓ -2
1-month	21	28	↓ -7	↓ -8
3-month	24	13	↑ 11	↑ 13
6-month	26	13	↑ 13	↑ 17
9-month	49	41	↑ 8	↑ 12
12-month	50	43	↑ 7	↑ 9
2-year	29	10	↑ 19	↑ 21
3-year	25	-10	↑ 35	↑ 36



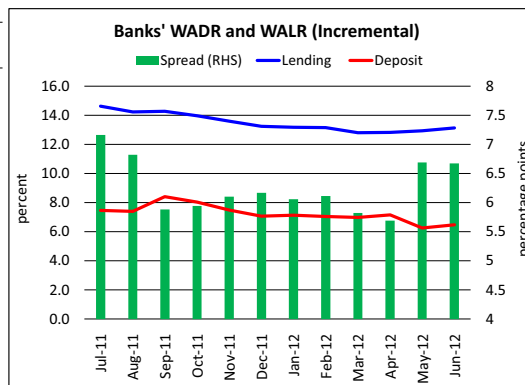
Sources: SBP



Despite SBP's decision to increase the minimum rate on banks' PLS saving deposits w.e.f 1st May 2012, incremental weighted average deposit rate have declined since April 2012.

Weighted average Lending and Deposit Rates (percent per annum)

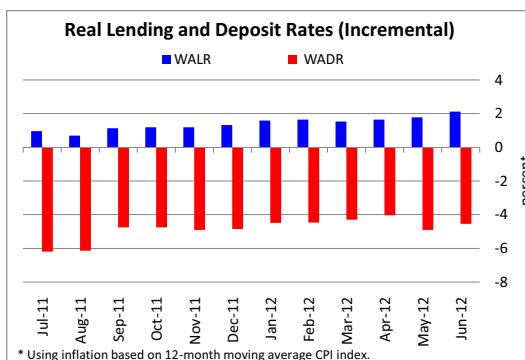
Months	Incremental ¹			Outstanding		
	WALR	WADR	Spread (bps)	WALR	WADR	Spread (bps)
May-11	14.21	7.45	676	13.65	6.00	765
Jun-11	14.25	7.22	703	13.78	5.92	786
Jul-11	14.62	7.46	716	13.76	5.88	788
Aug-11	14.22	7.40	682	13.65	6.06	759
Sep-11	14.28	8.40	588	13.81	6.18	763
Oct-11	13.97	8.03	594	13.68	6.01	767
Nov-11	13.58	7.48	610	13.52	5.99	753
Dec-11	13.23	7.06	617	13.46	5.88	758
Jan-12	13.18	7.12	606	13.25	5.88	737
Feb-12	13.14	7.03	611	13.15	5.85	730
Mar-12	12.80	6.98	582	13.04	5.74	730
Apr-12	12.83	7.14	569	12.98	5.76	722
May-12	12.94	6.25	669	12.95	5.88	707
Jun-12	13.13	6.46	667	12.96	5.82	714



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

The real lending rates, calculated on the basis of 12-month moving average inflation, edged up in June 2012.

Months	Real (based on 12-month MA inflation) ²		Real (based on YoY inflation) ³	
	WALR	WADR	WALR	WADR
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
Sep-11	1.13	-4.75	3.82	-2.06
Oct-11	1.18	-4.76	3.00	-2.94
Nov-11	1.20	-4.90	3.39	-2.71
Dec-11	1.31	-4.86	3.48	-2.69
Jan-12	1.58	-4.48	3.08	-2.98
Feb-12	1.64	-4.47	2.14	-3.97
Mar-12	1.52	-4.30	2.01	-3.81
Apr-12	1.65	-4.04	1.56	-4.13
May-12	1.78	-4.91	0.65	-6.04
Jun-12	2.13	-4.54	1.87	-4.80



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

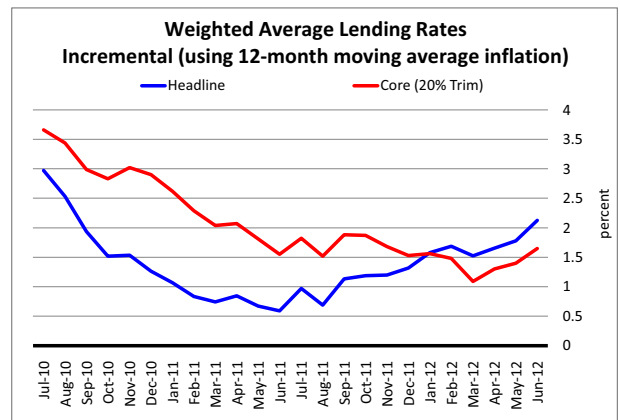
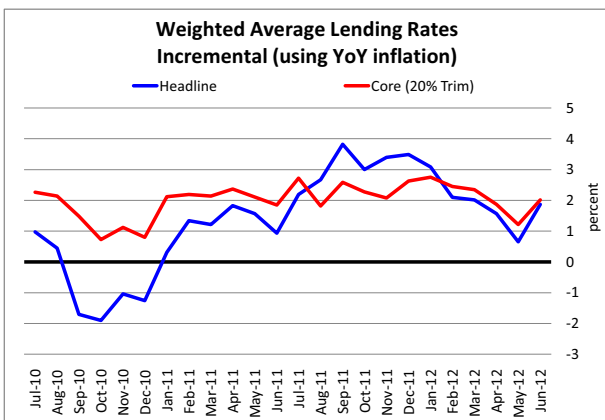
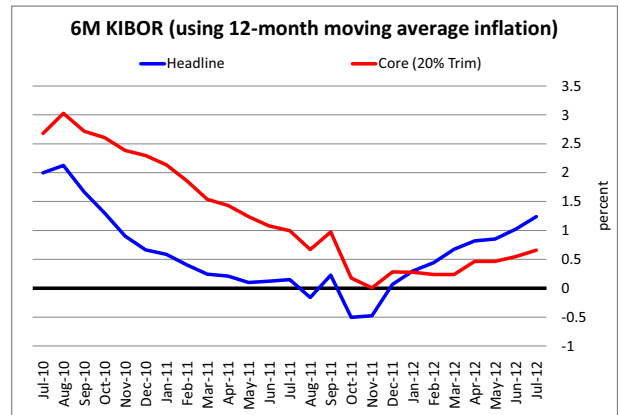
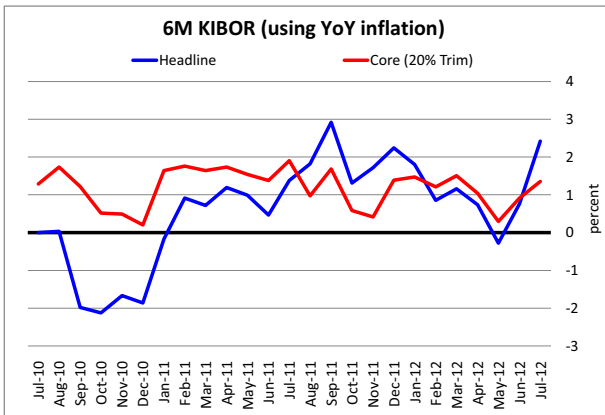
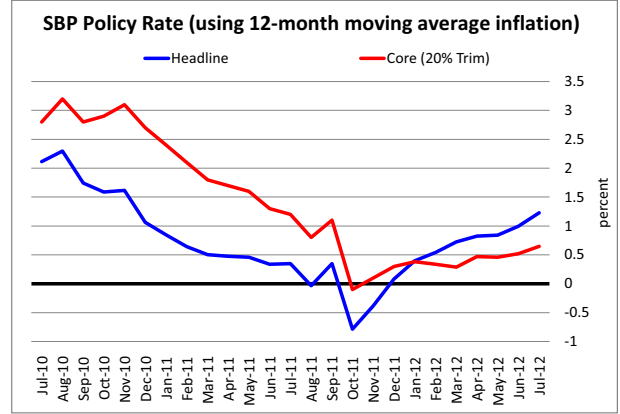
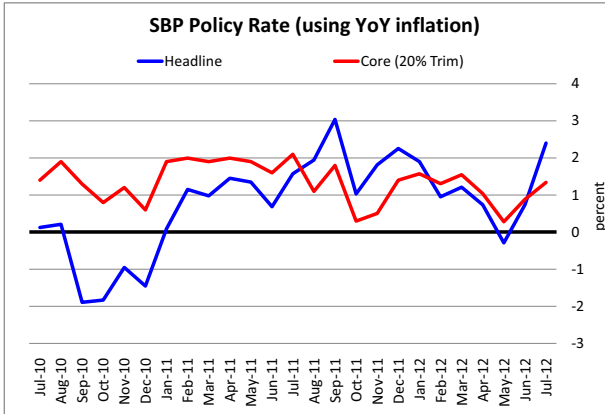
² Nominal rate less CPI inflation (12-month moving average).

³ 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



Since the beginning of FY13, market's preferences for longer tenor securities has increased in T-bill auctions.

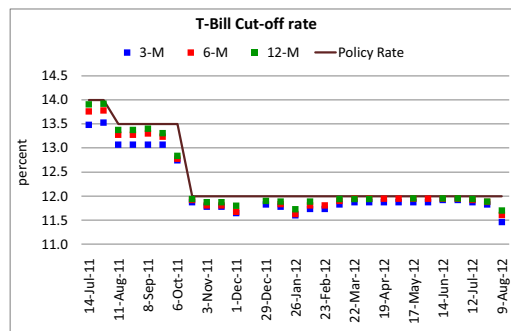
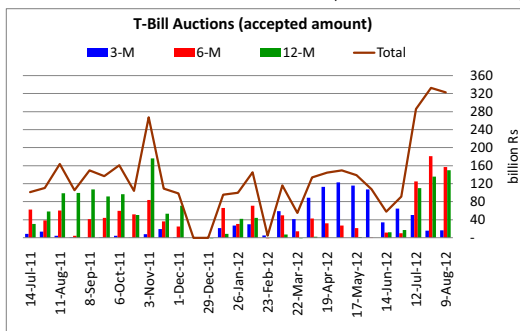
Amounts in billion Rs (Realized value) ; rates in percent

FY/Q/ Settlement Date	TOTAL				3-Month			6-Month			12-Month			Non-competitive bids ²
	Target	Maturity	Offered	Accepted	Offered	Accepted	Cut-off ¹	Offered	Accepted	Cut-off	Offered	Accepted	Cut-off ¹	
FY12	3,345.0	3,053.4	4,773.6	2,854.6	1,416.6	889.6	-	1,513.2	891.6	-	1,843.8	1,073.4	-	366.5
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
Q2	1,025.0	936.5	1,581.6	741.1	110.7	33.2	11.83	586.6	258.7	11.67	884.2	449.1	11.90	98.9
Q3	575.0	505.5	984.7	518.5	348.1	182.5	11.87	403.0	233.5	11.94	233.5	102.5	11.94	76.8
Q4	995.0	1,016.7	1,116.4	825.8	875.2	644.8	11.92	187.4	146.9	11.94	53.8	34.1	11.95	109.5
FY13	800.0	824.5	1,184.4	941.9	115.2	82.5	-	546.3	463.3	-	522.9	396.1	-	87.1
Jul	500.0	497.0	793.2	619.0	95.9	66.3	11.83	354.0	306.4	11.87	343.3	246.3	11.89	54.3
9-Aug	300.0	327.6	391.2	322.8	19.4	16.1	11.46	192.2	157.0	11.60	179.6	149.8	11.70	32.7

Source: Domestic Markets & Monetary Management Department, SBP

¹Quarterly rate are for end-period.

² These amounts are raised from non-bank institutions and/or individuals at auctions weighted average rate.



Government has comfortably raised the targeted amount in the PIBs¹ auction held in July 2012.

Yields in % and Face Value in billion Rs³

Settlement Date	Target	3-Year	5-Year	7-Year	10-Year	15-Year	20-Year	30-Year	Total
19-Jul-12	Cut-off rate	-	12.67	13.07	-	13.33	-	13.35	-
	Offered	-	27.71	25.72	-	34.82	-	6.15	94.40
	Accepted	30.00	18.76	18.00	-	9.09	-	5.15	50.99
7-Jun-12	Cut-off rate	-	12.75	13.12	-	13.38	-	13.35	-
	Offered	-	8.78	10.39	-	25.46	-	3.68	48.30
	Accepted	20.00	7.83	8.15	-	16.61	-	3.68	36.26
10-May-12	Cut-off rate	-	12.62	13.05	-	13.32	-	-	-
	Offered	-	13.85	5.54	-	15.65	-	1.00	36.04
	Accepted	20.00	11.60	3.98	-	9.24	-	-	24.82
15-Mar-12	Cut-off rate	-	12.59	12.94	-	13.20	-	-	-
	Offered	-	7.90	15.43	-	9.74	-	-	33.07
	Accepted	25.00	5.30	12.30	-	7.49	-	-	25.09
16-Feb-12	Cut-off rate	-	12.45	12.81	-	12.91	-	-	-
	Offered	-	17.63	10.03	-	11.71	-	-	39.37
	Accepted	25.00	11.91	6.35	-	6.63	-	-	24.88

"-": Either no bid received or bids were rejected.

³ Excluding non-competitive bids and short-selling accommodation

Source: Domestic Markets & Monetary Management Department, SBP

Government also successfully raised the targeted amount in last Sukuk auction.

Auction Date ⁴	Settlement Date	Target	Total Offered	Total Accepted	Cut-off Margin ⁵
20-Jun-12	28-Jun-12	25.00	57.97	48.77	0.00
23-Apr-12	30-Apr-12	25.00	50.43	29.63	0.00
23-Feb-12	2-Mar-12	50.00	55.72	38.12	0.00
20-Dec-11	26-Dec-11	50.00	84.17	70.27	0.00
9-May-11	16-May-11	45.00	51.25	45.80	0.00

⁴ The Tenor for Sukuk Auction is fixed for 3 years with a bi-annual coupon payment

⁵ This cut-off margin is applicable to all accepted bids. The benchmark is 6-Month MTB Auction Weighted Average Yield.



Foreign Exchange Market

After depreciating by 10 percent in FY12, Pak rupee US\$ parity remained stable in FY13.

	PKR against International Currencies			% App/(Dpp) of PKR
	Latest 8 th Aug 12	Last MPS 8 June 12	Jun-12	Cumulative since Jun-12
USD	94.10	94.16	94.55	0.47
Euro	116.40	117.46	118.99	2.22
Sterling	146.77	145.44	147.36	0.40
JPY	1.20	1.19	1.19	(0.96)
USD Kerb	94.23	95.05	95.65	1.51
Premium (Rs)	0.12	0.89	1.10	-
Daily NEER ¹	59.21	59.57	58.97	0.41

¹Nominal Effective Exchange Rate

Source: SBP

	International Exchange Rates			% App/(Dpp) of USD
	Latest 8 th Aug 12	Last MPS 8 June 12	Jun-12	Cumulative since Jun-12
EUR/USD	1.24	1.25	1.26	1.74
GBP/USD	1.56	1.54	1.56	(0.07)
USD/JPY	78.30	79.37	79.43	(1.43)
USD/INR	55.19	55.45	55.96	(1.38)
USD/CNY	6.36	6.37	6.35	0.13
USD/THB	31.50	31.70	31.76	(0.82)
USD/MYR	3.10	3.18	3.18	(2.27)
USD/SGD	1.25	1.28	1.27	(1.93)

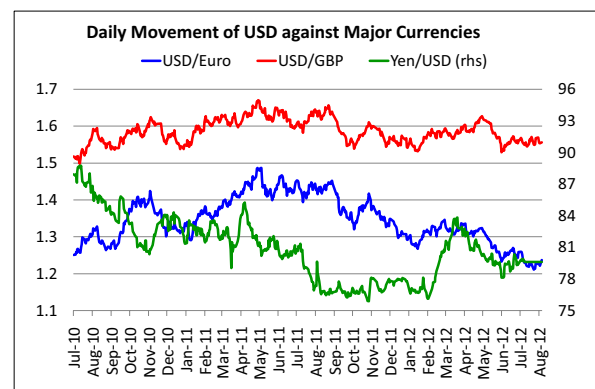
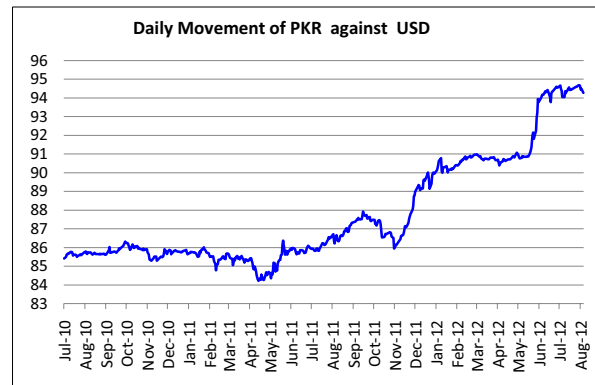
Source: SBP

USD/PKR Interbank Exchange Rate Trends on Fiscal Year Basis

	High	Low	Close	Average	Volatility C/C ²
FY10	85.58	81.40	85.51	83.89	3.02
FY11	86.50	83.93	85.97	85.56	2.40
FY12	94.69	85.79	94.55	89.27	2.48
FY13 ³	94.87	93.70	94.10	94.43	2.51

² Reuters: Average Close-to-Close Daily Volatility (in %)

³ Updated up to 08th August 2012



USD/PKR Interbank Exchange Rate Trends on Quarterly Basis

	High	Low	Close	Average	Volatility C/C ²
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
Q1-FY12	87.94	85.79	87.48	86.78	1.86
Q2-FY12	90.05	85.89	89.95	87.85	3.12
Q3-FY12	91.32	89.67	90.66	90.60	2.46
Q4-FY12	94.69	90.15	94.55	92.16	2.60
Q1-FY13 ³	94.87	93.70	94.10	94.43	2.51



In real terms, PKR has appreciated by 4.5 percent during FY12, mainly due to higher domestic inflation vis-à-vis our trading partners and competitor countries.

Changes in Real Effective Exchange Rate (REER) Base Year: CY2005

		REER Index	Changes in Real Effective Exchange Rate (REER)											
			2010				2011				2012			
			Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	May	Jun ^P	
2010	Mar	95.99	-	4.39	5.64	5.37	4.14	3.98	6.85	7.35	7.28	10.67	8.69	
	Jun	100.20	-	-	1.19	0.94	-0.24	-0.39	2.35	2.84	2.76	6.02	4.12	
	Sep	101.39	-	-	-	-0.25	-1.41	-1.57	1.15	1.62	1.55	4.77	2.90	
	Dec	101.14	-	-	-	-	-1.16	-1.32	1.40	1.88	1.81	5.04	3.16	
2011	Mar	99.96	-	-	-	-	-	-0.16	2.60	3.08	3.01	6.27	4.37	
	Jun	99.80	-	-	-	-	-	-	2.76	3.24	3.17	6.44	4.53	
	Sep	102.56	-	-	-	-	-	-	-	0.47	0.40	3.58	1.73	
	Dec	103.04	-	-	-	-	-	-	-	-	-0.07	3.10	1.25	
2012	Mar	102.97	-	-	-	-	-	-	-	-	-	3.17	1.32	
	May	106.23	-	-	-	-	-	-	-	-	-	-	-1.79	
	Jun ^P	104.33	-	-	-	-	-	-	-	-	-	-	-	

^P Provisional

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

		WA Exchange Rate	Changes in Exchange Rate (Rs/USD)											
			2010				2011				2012			
			Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	8-Aug	
2010	Mar	84.18	-	-1.50	-2.44	-1.79	-1.33	-2.10	-3.80	-6.43	-7.19	-10.75	-10.64	
	Jun	85.46	-	-	-0.95	-0.29	0.18	-0.61	-2.33	-5.01	-5.78	-9.39	-9.28	
	Sep	86.29	-	-	-	0.67	1.14	0.34	-1.39	-4.09	-4.87	-8.52	-8.41	
	Dec	85.71	-	-	-	-	0.47	-0.32	-2.05	-4.73	-5.50	-9.13	-9.02	
2011	Mar	85.31	-	-	-	-	-	-0.79	-2.50	-5.18	-5.94	-9.55	-9.44	
	Jun	85.99	-	-	-	-	-	-	-1.73	-4.42	-5.20	-8.83	-8.72	
	Sep	87.50	-	-	-	-	-	-	-	-2.74	-3.53	-7.23	-7.11	
	Dec	89.97	-	-	-	-	-	-	-	-	-0.81	-4.62	-4.50	
2012	Mar	90.70	-	-	-	-	-	-	-	-	-	-3.84	-3.72	
	Jun	94.32	-	-	-	-	-	-	-	-	-	-	0.12	
	8-Aug	94.20	-	-	-	-	-	-	-	-	-	-	-	



Capital Market

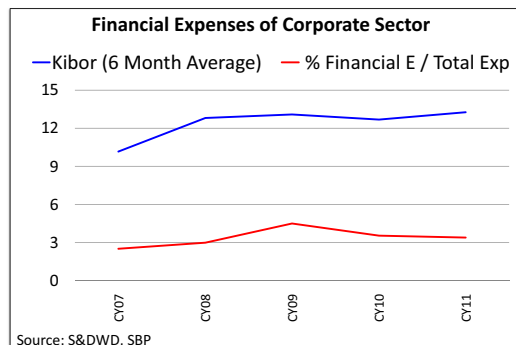
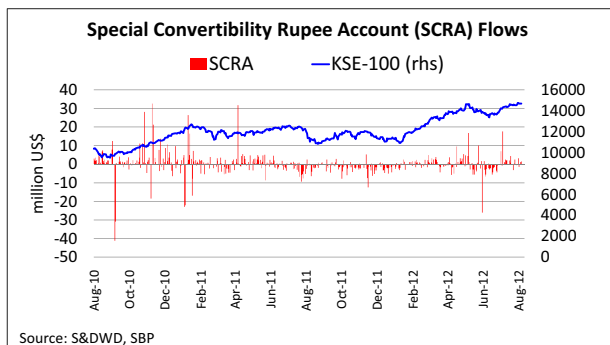
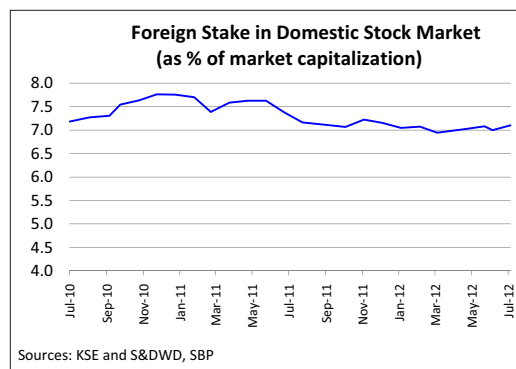
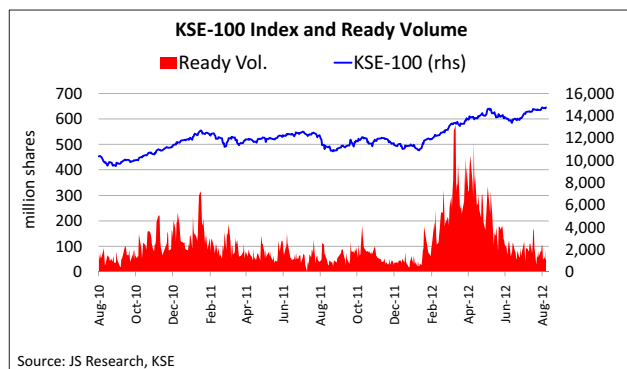
Since end June 2012, KSE-100 index has increased by 6.8 percent as compared to 10 percent growth in the entire FY12.

Performance of Karachi Stock Exchange

	FY13			FY12	Percentage Change during		
	Aug-12 ¹	Jul-12	July-Aug ¹ FY13		August FY13	FY13	FY12
KSE-100 Index	14744	14577	14744	13801	1.1	6.8	10.4
KSE-30 Index	12692	12607	12692	11922	0.7	6.5	2.9
Market Capitalization (billion Rs)	3755	3684	3700	3233	1.9	14.5	7.0
Ready Volume (million shares-avg.)	74.1	88.8	85.4	130.0	-16.6	-34.3	36.1
SCRA flows (US\$ million)	4.2	37.2	41.3	-251.0	-88.7	-116.5	-210.1

¹Updated till 9th August 2012

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





Financial Soundness Indicators

Despite increase in provisioning for loan losses, banks' profitability indicators have improved steadily.

percent

	Dec 2010	Jun 2011	Dec 2011	Mar 2012
Risk weighted CAR ¹	14.0	14.1	14.6	14.7
Gross NPLs to total loans	14.7	15.3	16.2	15.8
Provision to NPLs	66.7	67.9	66.8	68.5
Net NPLs to Net Loans	5.4	5.5	6.0	5.6
Returns on assets (before tax)	1.7	2.1	2.2	2.5
Return on assets (after tax)	1.0	1.4	1.5	1.7
ROE (before tax) ²	16.7	21.8	23.4	26.3
ROE (after tax) ²	9.8	14.3	15.2	17.6
Net interest income/gross income	74.7	75.9	75.7	73.4
Liquid assets/total assets	35.0	38.2	44.4	44.0
Liquid assets/total deposits	45.9	49.5	58.4	58.5
Advances/deposits	61.4	56.7	53.6	54.3

Source: Banking Surveillance Department (BSD), SBP

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

¹Data of IDBP, PPCBL, and SME is based on Basel I.

²Average equity and surplus.

