



Monetary Policy Information Compendium

May 2010

Consolidated by

Monetary Policy Department

STATE BANK OF PAKISTAN



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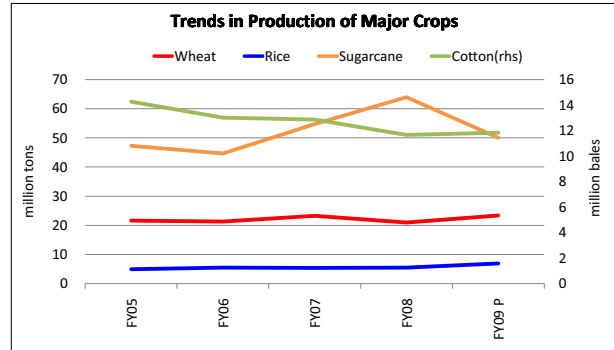
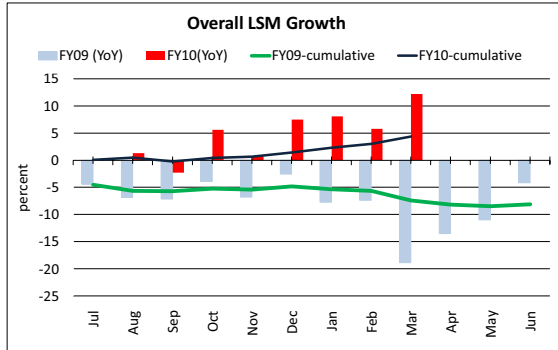
Real Sector

Output of large-scale manufacturing grew sharply by 12.2 percent (YoY) during March 2010, largely contributed by automobile, fertilizer and consumer durable industries.

Growth in Large Scale Manufacturing sector

Groups	Weights	YoY changes				Cumulative changes during Jul-Mar	
		Mar-10		Mar-09		FY10	FY09
Overall	100.0	12.2	-18.9			4.4	-7.4
Textile	32.6	↑ 0.1	↑ 1.2	↓ -0.6	↓ -0.3		
Food, beverages & tobacco	19.1	↓ -6.2	↓ -34.4	↓ -3.5	↓ -10.3		
Petroleum products	7.0	↓ -0.1	↓ -13.4	↓ -5.9	↓ -9.2		
Pharmaceuticals	6.7	↑ 11.7	↑ 5.9	↑ 7.4	↑ 1.5		
Chemicals	6.4	↓ -2.1	↑ 2.6	↑ 0.04	↑ 1.4		
Non-metallic mineral products	5.6	↓ -0.2	↑ 0.5	↑ 10.9	↑ 5.8		
Automobile	5.3	↑ 65.9	↓ -44.1	↑ 31.6	↓ -38.8		
Metal industries	4.7	↓ -32.1	↓ -14.1	↓ -13.8	↓ -24.9		
Fertilizer	4.5	↑ 40.5	↑ 0.8	↑ 10.9	↑ 21.5		
Electronics	3.3	↑ 97.5	↓ -62.0	↑ 23.2	↓ -31.2		
Leather products	3.0	↑ 17.9	↓ -1.9	↑ 23.6	↑ 3.5		
Paper and board	0.8	↓ -10.3	↓ -0.2	↓ -2.9	↑ 1.2		
Engineering industries	0.6	↑ 92.5	↓ -13.8	↑ 6.0	↑ 0.8		
Rubber products	0.4	↑ 16.0	↑ 62.8	↑ 29.5	↓ -0.7		
Wood and wood products	0.0	↑ 11.7	↑ 5.5	↓ -45.1	↑ 43.0		

Sources: Federal Bureau of Statistics (FBS)



Early estimates show decline in the production of major crops (except for cotton) during FY10.

Performance of Major Crops

Crops	Production (million tons)				Area Under Cultivation (million hectares)				Yield (kg/hectare)		
	FY09 ^P	FY10 ^T	FY10 ^E	% change in FY10 ^E over FY09 ^P	FY10 ^T	FY10 ^E	% change in FY10 ^E over FY09 ^P	FY10 ^T	FY10 ^E	% change in FY10 ^E over FY09 ^P	
Cotton*	12.1	13.4	12.7	↑ 5.3	3.2	3.1	↑ 6.9	710	703	↓ -2.4	
Sugarcane	50.0	56.5	47.0	↓ -6.1	1.1	0.9	↓ -10.0	51,109	50,085	↑ 3.0	
Rice	7.0	5.9	6.7	↓ -3.7	2.5	2.9	↓ -3.3	2,355	2,359	↑ 0.5	
Wheat	24.0	25.0	23.9	↓ -0.5	9.0	9.0	↔ 0.0	2,764	2,644	↓ -0.5	
Gram	0.4	0.8	0.6	↑ 50.0	1.0	-	-	-	-	-	
Maize	3.5	3.4	3.2	↓ -9.8	1.0	0.9	↓ -18.2	3,410	3,502	↑ 2.1	

*Cotton production is stated in million bales.

P: Provisional; T: Target; E: Estimates

Source: Ministry of Food & Agriculture (MINFA)

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



GDP growth for FY09 was 2.0 % compared with a target of 5.5%.

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

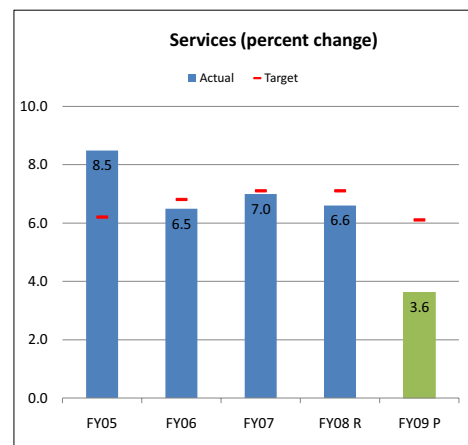
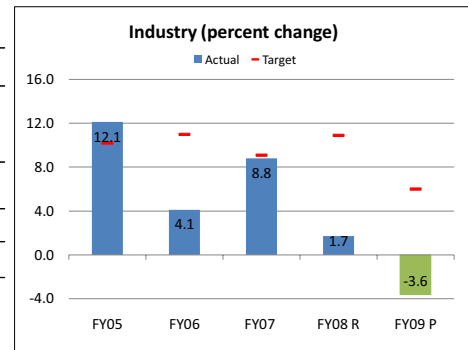
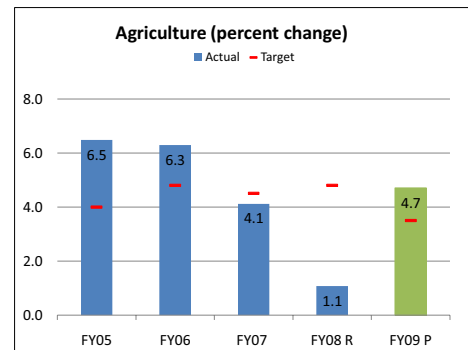
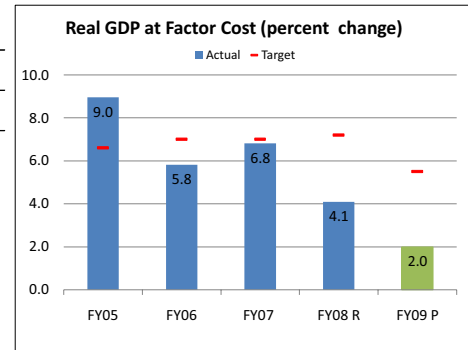
	FY08 (R)	FY09 (P)		
		Growth	Shares	Contribution
Agriculture of which	1.1	4.7	21.8	1.0
Major crops	-6.4	7.7	7.3	0.5
Minor crops	10.9	3.6	2.6	0.1
Livestock	4.2	3.7	11.3	0.4
Industry of which	1.7	-3.6	24.3	-0.9
Manufacturing	4.8	-3.3	18.2	-0.6
Large-scale	4.0	-7.7	12.1	-1.0
Small-scale	7.5	7.5	4.7	0.3
Construction	-3.9	-10.8	2.1	-0.3
Services of which	6.6	3.6	53.8	1.9
Transport & communication	5.7	2.9	10.3	0.3
Wholesale & retail trade	5.3	3.1	17.5	0.5
Finance & insurance	12.9	-1.2	6.2	-0.1
Public administration & defence	1.2	5.0	6.1	0.3
Real GDP (fc)	4.1	2.0	100.0	2.0
Real GDP (mp)	5.2	3.7	-	-
	FY08	FY09^P	FY10^T	
Real GDP (fc, billion Rs)	5,404	5,512	5,696	
Real GDP (fc, billion US\$)	86.3	70.1	-	
GDP at Constant Factor Cost of 1999-00 (Expenditure approach) - % changes				
	FY08 (R)	FY09 (P)		
		Growth	Shares	Contribution
Consumption	3.5	2.2	80.6	1.8
Private	-1.3	5.2	69.6	3.6
Government	39.0	-13.5	11.0	-1.8
Fixed capital formation	3.8	-6.5	16.0	-1.2
Private	3.6	-7.0	11.5	-0.9
Public plus general government	4.5	-5.1	4.5	-0.3
Changes in Stocks	4.8	-3.2	1.5	-0.1
Net exports of goods and non-factor services**	-434.6	262.0	1.9	3.2
Exports of goods and non-factor services	-5.3	9.0	17.6	1.5
Imports of goods and non-factor services	3.6	-9.2	15.7	-1.6
GDP (market prices)	2.0	3.7	100.0	3.7
Less Indirect taxes plus subsidies	-36.1	55.2	4.9	-
GDP (fc)	4.1	2.0	95	-
Total Domestic Demand*	3.6	0.6	98.1	-

* Domestic demand is equal to GDP (fc) less net exports.

P: Provisional; T: Target

Source: Economic Survey 2008-09

R: Revised



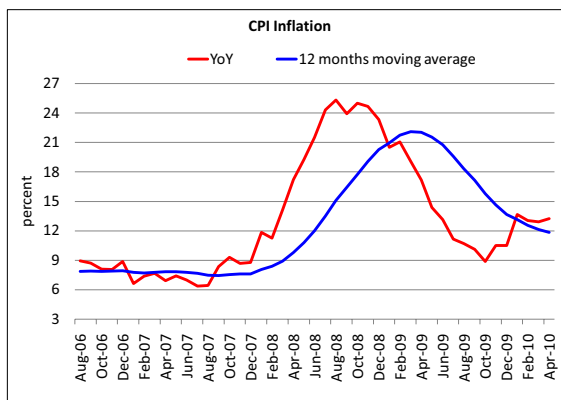


Inflation

CPI inflation (YoY) edged up during April 2010, mainly due to increase in fuel prices and consequent rise in transportation cost.

Consumer Price Index (CPI) (percent change)

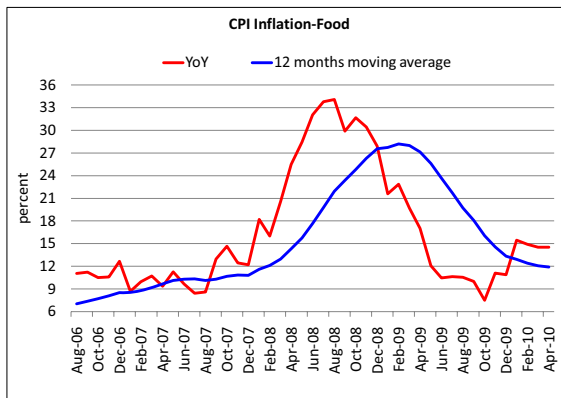
	MoM*	YoY#	12M moving average
Apr-09	1.4	17.2	22.0
May-09	0.2	14.4	21.5
Jun-09	1.0	13.1	20.8
Jul-09	1.5	11.2	19.6
Aug-09	1.7	10.7	18.3
Sep-09	0.5	10.1	17.1
Oct-09	1.0	8.9	15.8
Nov-09	1.4	10.5	14.6
Dec-09	-0.5	10.5	13.6
Jan-10	2.4	13.7	13.1
Feb-10	0.4	13.0	12.6
Mar-10	1.3	12.9	12.1
Apr-10	1.7	13.3	11.8
5-year Avg for April (excluding FY10)	1.5	11.7	



CPI food inflation (YoY) remained unchanged at previous month's level.

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

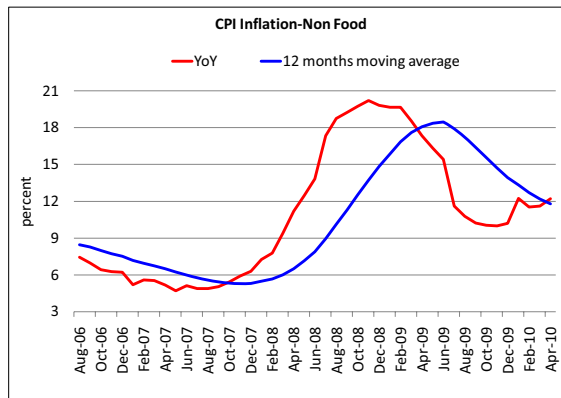
	MoM*	YoY#	12M moving average
Apr-09	2.0	17.0	27.2
May-09	-0.2	12.1	25.6
Jun-09	1.0	10.5	23.7
Jul-09	3.0	10.7	21.7
Aug-09	2.5	10.6	19.8
Sep-09	0.4	10.0	18.1
Oct-09	1.1	7.5	16.1
Nov-09	1.8	11.1	14.6
Dec-09	-1.7	10.9	13.3
Jan-10	2.0	15.5	12.9
Feb-10	0.1	14.9	12.4
Mar-10	1.8	14.5	12.1
Apr-10	2.0	14.5	11.9
5-year Avg for April (excluding FY10)	2.3	14.3	



Non-food inflation (YoY) is on the rise.

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

	MoM*	YoY#	12M moving average
Apr-09	0.9	17.3	18.1
May-09	0.6	16.3	18.4
Jun-09	1.0	15.4	18.4
Jul-09	0.3	11.6	17.9
Aug-09	1.0	10.8	17.2
Sep-09	0.5	10.2	16.4
Oct-09	0.8	10.0	15.6
Nov-09	1.0	10.0	14.7
Dec-09	0.6	10.2	13.9
Jan-10	2.8	12.2	13.3
Feb-10	0.6	11.5	12.7
Mar-10	0.8	11.6	12.2
Apr-10	1.5	12.2	11.8
5-year Avg for April (excluding FY10)	0.9	9.9	



* Month-on-Month

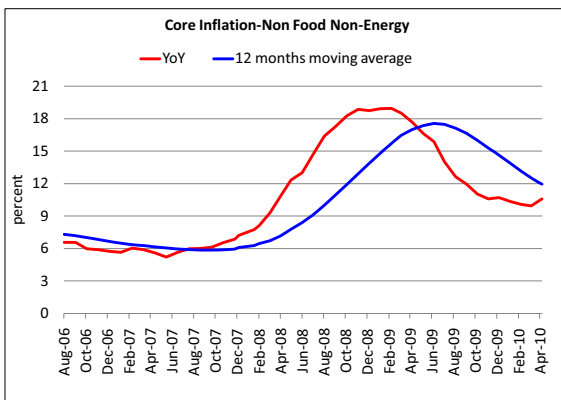
Year-on-Year

Source: Federal Bureau of Statistics



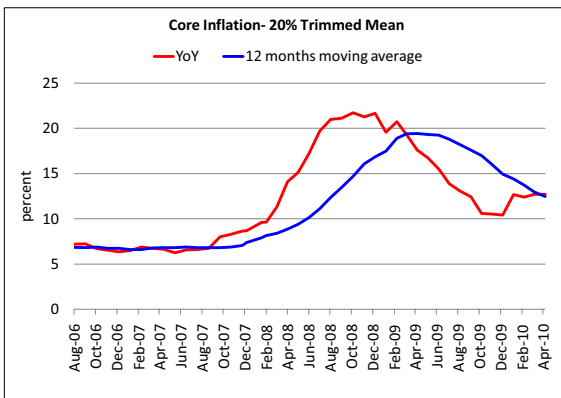
The declining trend in non-food non-energy (NFNE) measure of core inflation reversed in April 2010.

	Core-Non food non-energy (51% weight in basket) (percent change)		
	MoM	YoY	12M moving average
Apr-09	1.1	17.7	17.0
May-09	0.8	16.6	17.4
Jun-09	0.7	15.9	17.6
Jul-09	0.7	14.0	17.5
Aug-09	0.8	12.6	17.1
Sep-09	0.8	11.9	16.6
Oct-09	0.8	11.0	16.0
Nov-09	0.8	10.6	15.3
Dec-09	0.7	10.7	14.6
Jan-10	0.7	10.3	13.9
Feb-10	0.8	10.1	13.2
Mar-10	0.8	9.9	12.5
Apr-10	1.7	10.6	11.9
5-year Avg for April (excluding FY10)	1.0	9.8	



However, core inflation - 20% trimmed mean, has maintained its last month level in April 2010.

Core- 20% Trimmed (percent change)			
Apr-09	1.2	17.6	19.4
May-09	0.9	16.7	19.3
Jun-09	0.8	15.5	19.2
Jul-09	0.8	13.9	18.8
Aug-09	1.1	13.1	18.2
Sep-09	0.6	12.4	17.6
Oct-09	0.8	10.6	17.0
Nov-09	0.7	10.5	16.0
Dec-09	0.6	10.4	14.9
Jan-10	1.3	12.7	14.4
Feb-10	0.7	12.4	13.7
Mar-10	0.8	12.7	13.0
Apr-10	1.1	12.7	12.5
5-year Avg for April (excluding FY10)	1.0	10.7	

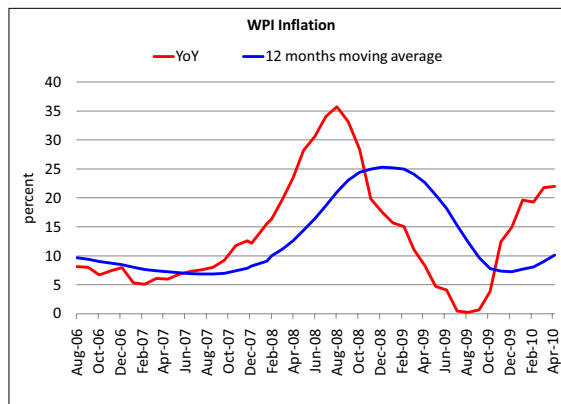


Source: Federal Bureau of Statistics



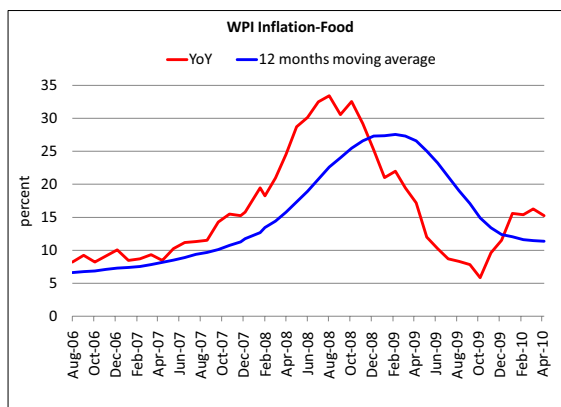
WPI inflation (YoY) maintained its rising trend, mainly due to increase in prices of non-food items.

Wholesale Price Index (WPI) (percent change)			
	MoM	YoY	12M moving average
Apr-09	1.7	8.3	22.7
May-09	1.5	4.7	20.5
Jun-09	2.4	4.1	18.2
Jul-09	0.7	0.5	15.3
Aug-09	2.2	0.3	12.3
Sep-09	0.2	0.7	9.7
Oct-09	1.2	3.8	7.8
Nov-09	2.8	12.5	7.4
Dec-09	0.2	15.0	7.3
Jan-10	4.2	19.6	7.7
Feb-10	0.4	19.3	8.1
Mar-10	2.5	21.8	9.0
Apr-10	1.8	22.0	10.1
5-year Avg for April (excluding FY10)	2.0	10.7	



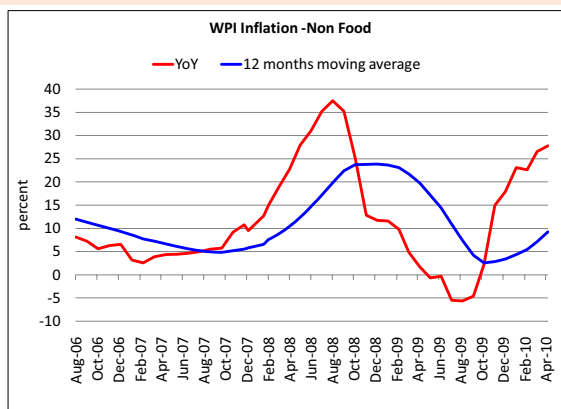
The pace of increase in WPI food inflation (YoY), however, declined in April 2010.

WPI-Food (42.1% weight in basket) (percent change)			
Apr-09	1.7	17.2	26.6
May-09	0.8	12.0	25.0
Jun-09	1.1	10.2	23.2
Jul-09	2.0	8.7	21.2
Aug-09	2.3	8.3	19.0
Sep-09	0.4	7.8	17.1
Oct-09	0.9	5.8	14.9
Nov-09	1.9	9.6	13.4
Dec-09	-0.7	11.5	12.4
Jan-10	2.7	15.6	12.0
Feb-10	0.5	15.4	11.6
Mar-10	1.7	16.3	11.4
Apr-10	0.7	15.2	11.4
5-year Avg for April (excluding FY10)	2.1	13.6	



In contrast, WPI non-food inflation (YoY) maintains its rising trend during April 2010 due to higher raw material and building material prices.

WPI-Non Food (57.9% weight in basket) (percent change)			
Apr-09	1.7	1.8	19.7
May-09	2.1	-0.6	17.1
Jun-09	3.5	-0.3	14.4
Jul-09	-0.4	-5.4	10.9
Aug-09	2.1	-5.6	7.3
Sep-09	0.0	-4.6	4.2
Oct-09	1.4	2.2	2.5
Nov-09	3.5	14.9	2.8
Dec-09	0.9	17.9	3.4
Jan-10	5.5	23.0	4.3
Feb-10	0.2	22.6	5.4
Mar-10	3.2	26.5	7.1
Apr-10	2.7	27.7	9.2
5-year Avg for April (excluding FY10)	1.9	8.7	



Sources: Federal Bureau of Statistics



CPI Inflation (YoY) by Groups

Rise in headline CPI inflation during April 2010 was mainly contributed by non-food group.

Groups	Weights	Apr-10			Mar-10		
		MoM	YoY	12m MA*	MoM	YoY	12m MA*
I. Food Group	40.3	2.0	14.5	11.9	1.8	14.5	12.1
II. Non-Food Group	59.7	1.5	12.2	11.8	0.8	11.6	12.2
Apparel, Textile etc.	6.1	2.2	7.7	6.6	0.8	6.1	7.0
House Rent	23.4	0.6	11.2	15.3	0.6	12.0	15.9
Fuel and Lighting	7.3	-0.4	16.7	15.2	-0.1	17.1	15.9
Furniture etc.	3.3	0.9	5.9	7.1	0.4	5.3	7.7
Transport etc.	7.3	5.8	20.5	4.2	3.4	14.0	3.2
Recreation etc.	0.8	10.0	14.7	4.2	0.1	4.3	4.0
Education	3.5	2.7	8.8	14.3	0.2	12.5	15.5
Cleaning, Laundry etc.	5.9	0.4	9.1	11.5	0.3	8.6	12.0
Medicare	2.1	2.6	8.6	6.0	0.2	6.0	6.4
Overall	100	1.7	13.3	11.8	1.3	12.9	12.1

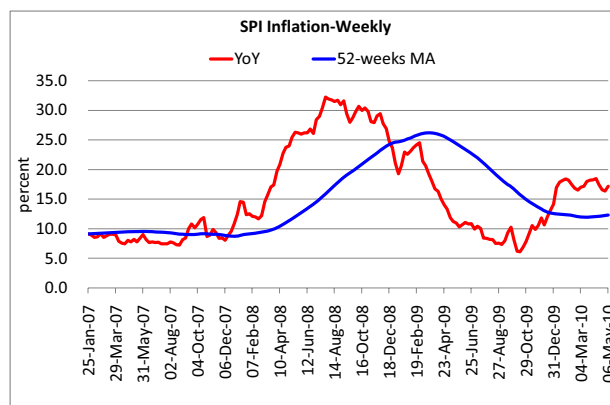
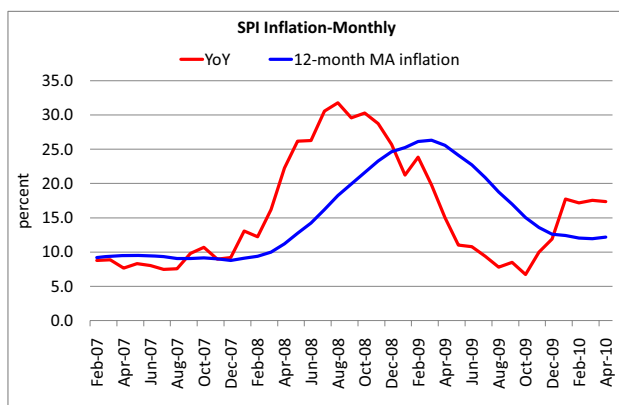
After rising during the first 7 months of FY10, SPI inflation (YoY) has somewhat stabilized since February 2010.

Sensitive Price Indicator (SPI) (percent change)

Income Groups	Percent change (WoW)				Apr-10		
	Current	Last week	Two weeks ago	Three weeks ago	MoM	YoY	12m MA*
	6-May-10	29-Apr-10	22-Apr-10	15-Apr-10			
Up to Rs 3000	0.3	-0.8	-0.6	-0.2	0.4	16.7	12.7
Rs 3001-5000	0.3	-0.8	-0.6	-0.3	0.4	16.7	12.9
Rs 5001-12000	0.5	-0.7	-0.6	-0.3	0.6	16.7	13.1
Above Rs 12000	1.4	-0.5	-0.4	-0.2	1.1	17.7	11.7
All	0.9	-0.6	-0.5	-0.2	1.0	17.4	12.2

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

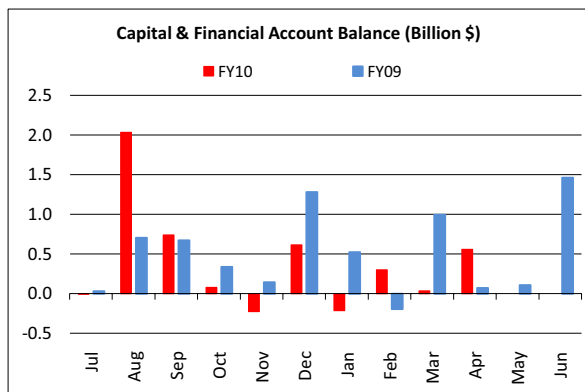
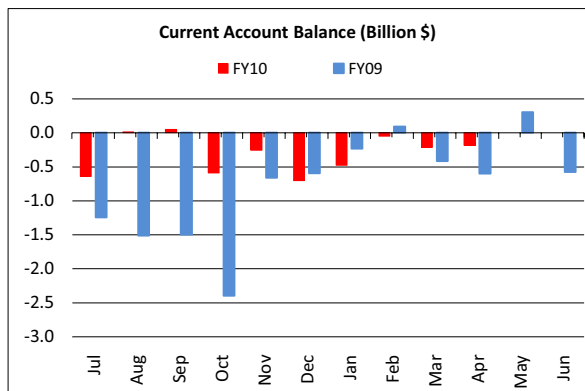
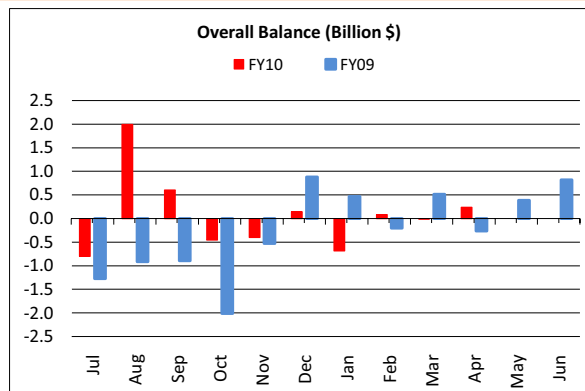
Overall balance of payments turned into a surplus in April 2010 largely due to receipt under CSF and decline in debt related payments.

Balance of Payments Summary (Billion \$)

Items	Apr-10 (Mlns \$)	Jul-Apr		FY09
		FY10	FY09	
A) Current account	-185	-3.1	-9.0	-9.3
1. Trade balance	-969	-9.1	-11.1	-12.6
Exports	1835	16.2	15.8	19.1
Imports	2804	25.2	27.0	31.7
2. Services	8	-2.0	-3.2	-3.4
Receipts	596	3.6	3.1	4.1
Payments	588	5.6	6.3	7.5
3. Income	-306	-2.6	-3.7	-4.4
Receipts	42	0.5	0.8	0.9
Payments	348	3.0	4.4	5.3
4. Current transfers	1082	10.6	9.0	11.2
Receipts: of which	1105	10.7	9.1	11.3
Remittances	756	7.3	6.4	7.8
Payments	23	0.1	0.1	0.1
B) Capital and financial account: of which	560	3.9	4.5	6.1
1. Foreign investment	359	1.7	2.2	2.6
FDI (net)	215	1.8	3.2	3.7
FPI	144	-0.05	-1.0	-1.1
2. Foreign long term loans	-21	1.2	1.5	2.2
Disbursements	119	2.7	3.0	4.0
Amortization	140	1.5	1.5	1.9
C) Errors & omissions	-137	-0.2	0.2	0.1
Overall balance (A+B+C)	238	0.7	-4.3	-3.1
SBP gross reserves¹(Mlns \$)	12,218	12,218	9,035	10,257

¹ These include sinking funds (earmarked for specific purposes) and foreign currency holdings of SBP.

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



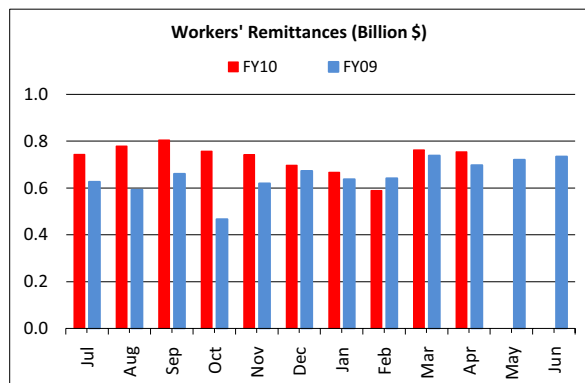
Workers' remittances almost maintained its last month level in April 2010.

Workers' Remittances² (Million \$)

	Apr-10	Jul-Apr		FY09
		FY10	FY09	
Total: of which	756	7,307	6,355	7,811
USA	144	1,462	1,436	1,736
UK	74	735	468	606
Saudia	183	1,526	1,264	1,560
UAE	166	1,663	1,367	1,689
GCC ³	100	1,033	996	1,203
Others	89	888	825	1,019

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

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



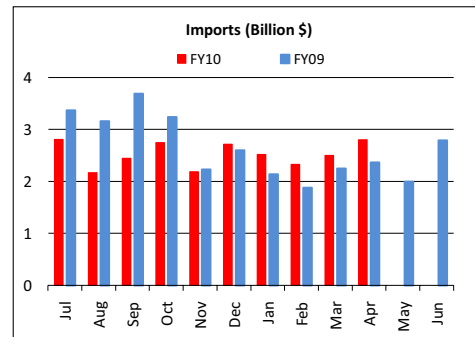
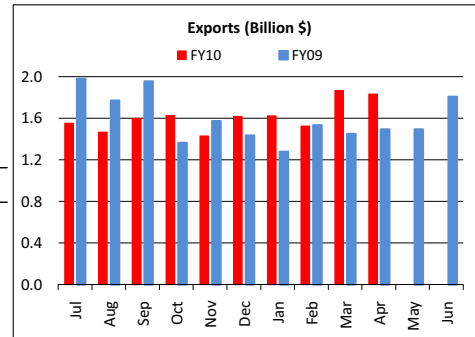
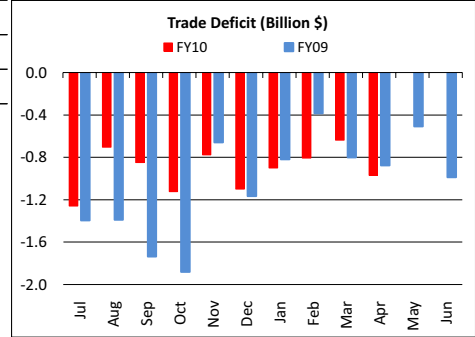


Trade

Trade deficit widened in April 2010 as imports increased along with a slight fall in exports.

Trade in Goods -Major Groups (Million \$)

	Apr-10	Jul-Apr		FY09	Shares ¹
		FY10	FY09		FY10
Exports	1,835	16,225	15,817	19,121	100
Textile group	893	8,379	8,247	9,776	52
Cotton cloth	165	1,545	1,789	2,107	10
Knitwear, bedwear	313	3,025	3,014	3,581	19
Readymade garments	74	792	817	983	5
Other manufactures group	456	3,827	3,818	3,511	24
Leather items ²	64	563	645	749	3
Chemical and pharma	91	676	559	668	4
Cement	43	423	505	606	3
Engineering goods	29	247	295	347	2
Food group	316	2,694	2,337	2,797	17
Rice	217	1,738	1,476	1,766	11
All Others	170	1,325	2,011	3,128	8
Imports	2,804	25,249	26,953	31,747	100
Petroleum group	872	8,303	8,697	10,032	33
Petroleum products	516	5,196	4,789	5,599	21
Petroleum crude	356	3,107	3,908	4,433	12
Machinery group	329	3,420	4,233	4,923	14
Power machinery	58	721	1,061	1,305	3
Electrical machinery	43	475	642	716	2
Agri. & other chemicals group	441	4,417	4,110	4,848	17
Fertilizer manufactured	29	752	379	449	3
Plastic materials	94	920	936	1,091	4
Food group	301	2,455	3,159	3,586	10
Palm oil	98	1,027	1,177	1,342	4
Sugar	45	181	25	51	1
Metal group	231	1,668	1,634	2,042	7
Iron steel (IS) & IS scrap	196	1,334	1,322	1,658	5
All Others	631	4,986	5,119	6,238	20

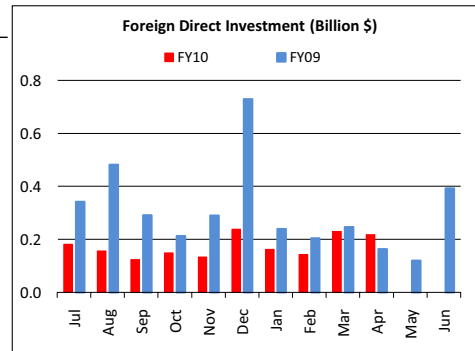


¹ Share=group(item)/total, based on FY10 value; ² Include tanned and manufactured leather

FDI remained close to the last month in April 2010.

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

	Apr-10	Jul-Apr		FY09
		FY10	FY09	
Total: Of which	219	1,773	3,205	3720
Major countries				
USA	47	491	745	870
U.A.E.	45	182	170	178
U.K.	46	241	220	263
Netherlands	1	269	64	42
Major sectors				
Communication	51	222	829	879
Financial service	14	133	681	707
Oil & gas exploration	85	605	612	775
Power	-27	11	80	131
Trade	13	78	148	167



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



Global Economy

In view of resurgence in inflationary pressures, central banks of Malaysia, India and Australia raised their policy rates.

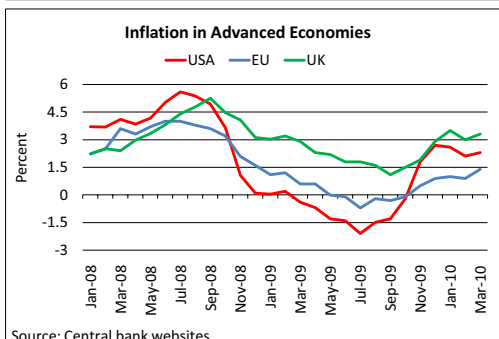
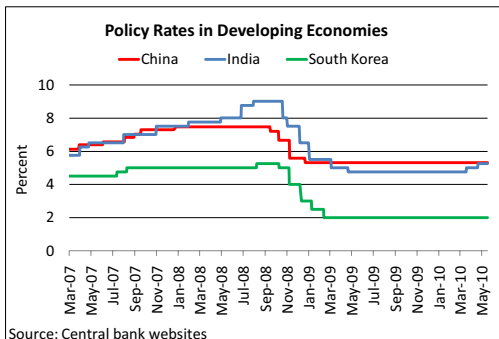
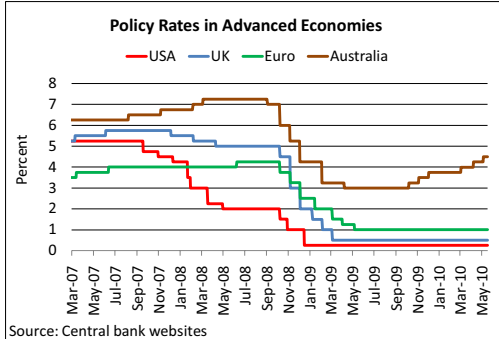
Policy Rates in Major Economies

Major Economies	Current Policy Rate	Previous	Changed On	Change (bps)
USA*	0.25	1.00	Dec 16 2008	↓ -75
UK	0.50	1.00	Mar 05 2009	↓ -50
ECB	1.00	1.25	May 07 2009	↓ -25
Japan	0.10	0.30	Dec 20 2008	↓ -20
Australia	4.50	4.25	May 05 2010	↑ 25
China	5.31	5.58	Dec 22 2008	↓ -27
India	5.25	5.00	Apr 20 2009	↑ 25
South Korea	2.00	2.50	Feb 12 2009	↓ -50
Malaysia	2.25	2.00	Mar 04 2010	↑ 25
Indonesia	6.50	6.75	Aug 05 2009	↓ -25
Thailand	1.25	1.50	Apr 08 2009	↓ -25

GDP growth improved in many economies during first quarter of 2010, but at the same time, inflation is also on the rise.

Key Macroeconomic Indicators

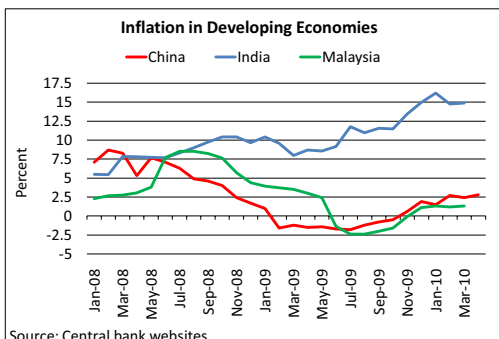
	Inflation (YoY) ¹	GDP growth ²	Current account balance	Fiscal balance
	Apr-10		as a percentage of GDP	
USA	2.3 (Mar-10)	2.5 (Q1-10)	-2.9 (Q4-09)	-9.3 (Q1-10)
UK	3.4 (Mar-10)	-0.3 (Q1-10)	-1.3 (Q4-09)	-8.6 (Q4-09)
Euro Area	1.4 (Mar-10)	-2.2 (Q4-09)	-0.6 (Q4-09)	-6.5 (Q4-09)
Japan	-1.1 (Mar-10)	-1.0 (Q4-09)	2.8 (Q4-09)	-
Australia	2.9 (Q1-10)	2.7 (Q4-09)	-4.2 (Q4-09)	-
China	2.8	11.9 (Q1-10)	6.3 (H1-09)	4.3 (Q4-09)
India	14.9 (Mar-10)	6.0 (Q3-09)	-2.2 (Q4-09)	-7.6 (Q4-09)
Sri Lanka	5.8	6.2 (Q4-09)	-	-
South Korea	2.6	7.8 (Q1-10)	6.2 (Q4-09)	-
Malaysia	1.3 (Mar-10)	10.1 (Q1-10)	16.6 (Q4-09)	-
Indonesia	3.9	5.7 (Q1-10)	2.0 (Q4-09)	-
Thailand	3.0	5.8 (Q4-09)	7.4 (Q4-09)	-5.3 (Q4-09)



World economy is expected to rebound in a big way in 2010.

World Economic Outlook - Real GDP Growth

	2009	2010 Projections		
	(IMF Estimated)	IMF (Apr-10)	World Bank (Jan-10)	OECD (Nov-09)
World output	-0.6	4.2	2.7	-
Advance	-3.2	2.3	1.8	-
US	-2.4	3.1	2.5	2.5
Euro area	-4.1	1.0	1.0	0.9
Japan	-5.2	1.9	1.3	1.8
UK	-4.9	1.3	-	1.2
Emerging & Developing	2.4	6.3	5.2	-
Russia	-7.9	4.0	3.2	4.9
China	8.7	10.0	9.0	10.2
India	5.7	8.8	7.6	7.3
ASEAN-5	1.7	5.4	-	-



* US Federal Reserve is currently operating under an interest rate band of 0 to 0.25 percent.

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



Most of the international commodity prices showed increasing trend in April 2010.

World Commodity Price Indices (2005=100)

	Apr-10	% change since			
		Last month		End Jun-09	
Global CPI	153.27	↑	5.80	↑	21.06
Food CPI	145.71	↑	2.46	↑	1.48
Commodity non-fuel CPI	150.34	↑	5.30	↑	20.36
Metal CPI	178.10	↑	13.94	↑	50.33
Crude oil (\$/bbl)	84.18	↑	6.16	↑	21.78
Palm oil (\$/m. ton)	798.53	↑	0.58	↑	15.59
Soya bean Oil (\$/m. ton)	868.01	↓	-0.15	↑	4.38
Wheat (\$/m. ton)	192.87	↑	0.94	↓	-23.89
Gold spot (\$/Oz)	1150.91	↑	5.90	↑	27.23
Sugar (US cents/pound)	28.72	↓	-10.01	↑	27.79

Source: IMF-IFS

International capital markets are showing negative trend from last month due to uncertain global economic recovery.

Capital Market Indices

	Latest - May 14, 2010	% change since			
		Last month		End Jun-09	
US (DJIA)	10620.2	↓	-3.6	↑	28.3
DJ EURO STOXX	2633.9	↓	-10.7	↑	10.8
UK (FTSE 100)	5262.8	↓	-8.4	↑	24.2
Japan (Nikkei 225)	10462.5	↓	-5.8	↑	6.6
China (SSEA)	2696.6	↓	-13.9	↓	-12.7
France (CAC 40)	3560.3	↓	-10.69	↑	14.1
Germany (DAX)	6056.7	↓	-2.0	↑	28.6
India (BSE)	16994.6	↓	-3.4	↑	15.1
World dev'd (MSCI) ³	1158.7	↓	-6.5	↑	19.1
Emerging markets (MSCI) ³	968.0	↓	-7.5	↑	25.2
World all (MSCI) ³	296.4	↓	-6.6	↑	19.9

End Notes

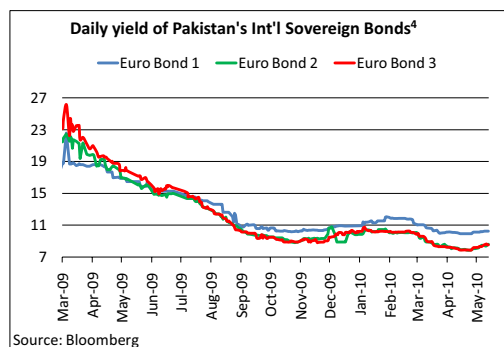
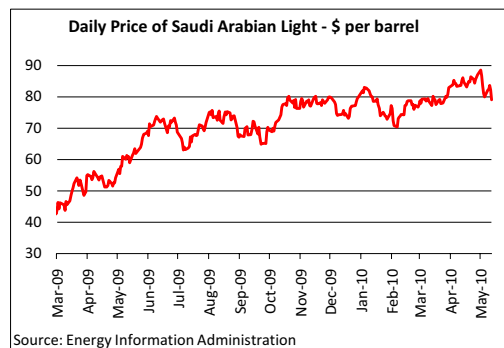
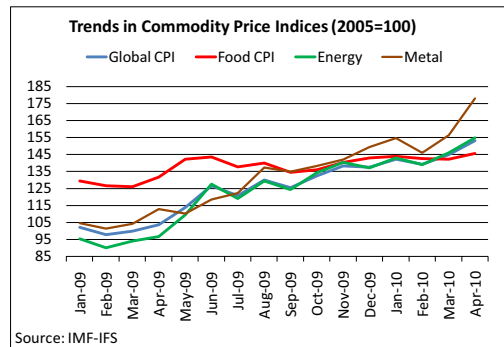
¹ Inflation is YoY percent changes in CPI.

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

³ May 12, 2010

⁴ **Euro Bond 1**= \$300 M (30 Yr US T bill+302 bps=>**7.875%**): Issued-3/24/2006: Maturity-3/23/2036; **Euro Bond 2**= \$750 M (10 Yr US T bill+200 bps=>**6.875%**): Issued-6/1/2007: Maturity-5/30/2017; **Euro Bond 3**= \$500 M (10 Yr US T bill+240 bps=>**7.125%**): Issued-3/24/2006: Maturity-3/23/2016

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





Revenues, Expenditures and Fiscal Balances

Current trends in tax revenues and expenditures suggest the likelihood of rising fiscal deficit for FY10.

Revenues (billion Rs)

	BE ¹		Actual FY09
	FY10	H1-FY10	
Total revenue	2156	910	1851
Tax revenue	1593	659	1331
Growth (YoY) %	19.7	14.0	26.6
of which: FBR revenues *	1380	582	1157
Non-tax revenue	563	251	520
Growth (YoY)	8.2	-2.2	15.9

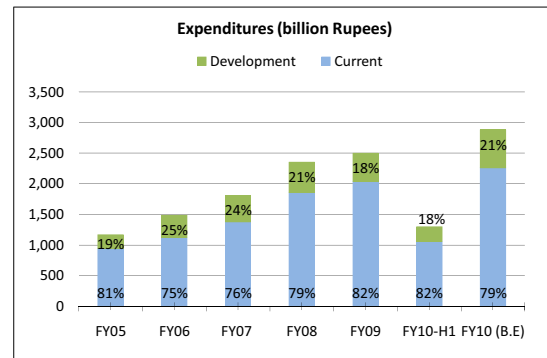
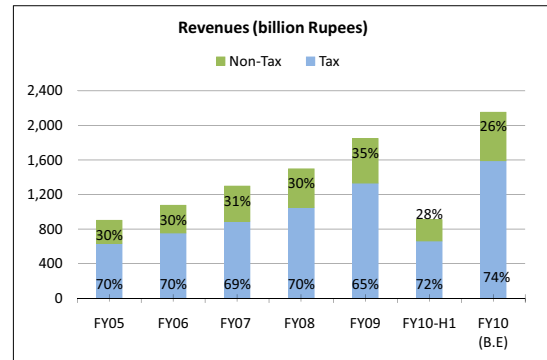
* The total FBR tax revenues during July-JanFY10 are Rs694 billion.

Expenditures (billion Rs)

	BE ¹		Actual FY09
	FY10	H1-FY10	
Total expenditure³	2877	1313	2531
Current	2261	1059	2042
Growth (YoY) %	10.7	15.2	9.9
Interest payments	647	294	555
Defence	-	166	313
Development & net lending	616	239	456
Growth (YoY) %	35.2	80.3	7.6

Overall Balance (billion Rs)

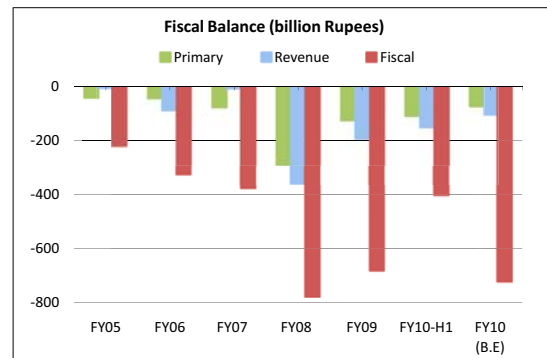
	BE ¹		Actual FY09
	FY10	H1-FY10	
Fiscal Balance⁶	-721	-403	-680
Revenue Balance ⁵	-105	-149	-191
Primary Balance ⁴	-74	-109	-125



Tax collection by FBR posted a robust growth of 13.5 percent during July-April 2010.

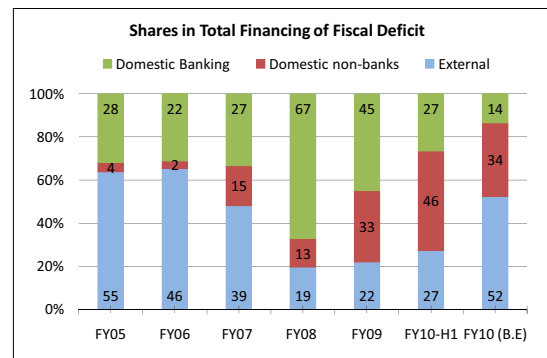
Financing of Fiscal Deficit (billion Rs)

	BE ¹		Actual FY09
	FY10	H1-FY10	
Financing	721	403	680
1. External	377	110	150
2. Domestic: of which	344	293	531
Non-bank	246	186	224
Banking system: of which	97	107	306
Commercial Banks	97	171	192
SBP	0	-64	114
Privatization proceeds	-	-	1.3



FBR Tax Collection (billion Rs)

	Direct	Sales	Customs	FED ²	Total taxes
Apr-09	25	38	12	11	86
May-09	32	40	11	11	95
Jun-09	75	53	20	13	161
Jul-09	17	38	9	9	75
Aug-09	26	39	11	10	86
Sep-09	41	40	12	9	103
Oct-09	44	42	13	10	108
Nov-09	27	40	11	10	88
Dec-09	56	44	14	9	123
Jan-10	46	45	13	9	112
Feb-10	35	41	11	9	97
Mar-10	50	42	16	10	118
Apr-10	48	45	14	10	116
Jul-Apr FY10⁷	390	416	126	94	1026
Jul-Apr FY09	333	359	117	92	901



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

¹ Budget estimates; ² Federal excise duty; ³ Exclusive of statistical discrepancy; ⁴ Primary balance = total revenue - total expenditure + interest payment;

⁵ Revenue balance = total revenue - current expenditure; ⁶ Fiscal balance = total revenue - total expenditure; ⁷ FY10 data is provisional.

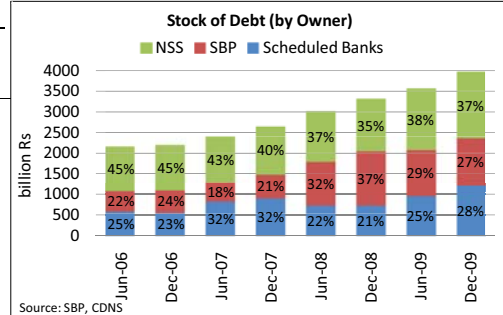


Domestic Debt

The stock of domestic debt is rising with borrowings skewed towards short-term sources.

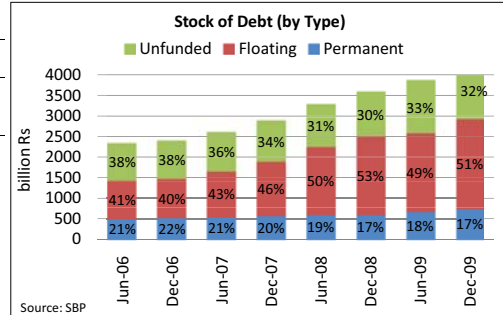
Debt by Owner - end period stocks (billion Rs)

	Mar-10	FY09 (Jun-09)	Absolute change Since Jun 2009
Bank	2,393	2065	328
Commercial banks	1,215	954	261
SBP	1,178	1111	67
Non-bank	2,090	1788	302
National saving	1,637	1468	169
Others	454	320	134
Foreign Currency Instruments ¹	8	8	0
Total	4,490.9	3,860.7	630.2



Debt by Type - end period stocks (billion Rs)

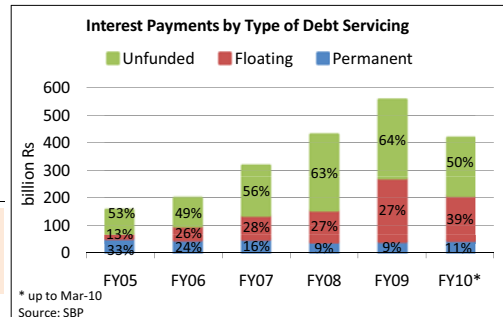
	Mar-10	FY09 (Jun-09)	Absolute change Since Jun 2009
Long term	2,183	1,949	234
Permanent: <i>Of which</i>	771	678	93
PIBs	493	441	52
Prize bonds	225	197	27
Unfunded: <i>Of which</i>	1412	1271	141
NSS ²	1305	1163	142
Short term (floating): <i>Of which</i>	2300	1904	396
MTBs	1107	796	311
MRTBs-replenishment	1193	1108	85
Foreign Currency Instruments	8	8	0.1
Total	4,490.9	3,860.7	630.2



Expenditures related to debt servicing increased significantly due to short-term borrowing.

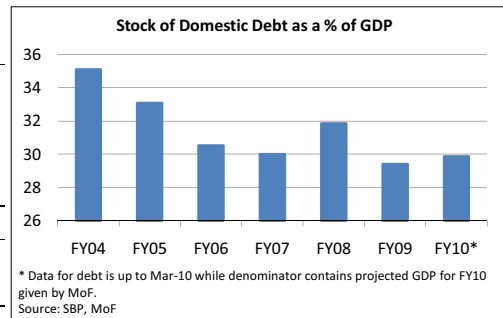
Debt Servicing (billion Rs)

	Mar-10	Jul-Mar		FY09	FY09
		FY10	FY09		
Permanent	11.4	53.8	36.7	46.6	57.0
Unfunded	26.4	210.0	202.1	3.9	286.0
Floating	26.1	161.0	173.4	-7.2	227.2
Total	63.9	424.8	412.2	3.1	570.2

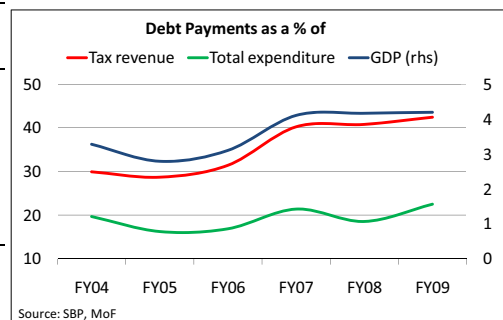


Indicators of Domestic Debt Sustainability

Debt Stock as a % of GDP					
	FY06	FY07	FY08	FY09	FY10 ³
	30.5	30.0	31.8	29.4	29.9



Debt Servicing as a % of					
	FY06	FY07	FY08	FY09	FY10 ⁴
GDP	3.1	4.1	4.2	4.2	2.8
Total revenue	22.0	27.6	31.6	30.2	46.7
Tax revenue	31.5	40.3	40.9	42.5	64.4
Total expenditure	16.9	21.4	20.8	22.1	32.3
Current expenditure	21.2	26.1	23.1	29.7	40.1



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

² National saving schemes include certificates and saving accounts.

³ Based on the projected GDP for FY10.

⁴ Data in numerator is up to Mar-10 while in denominator is up to Dec-09, except for GDP.

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



External Debt

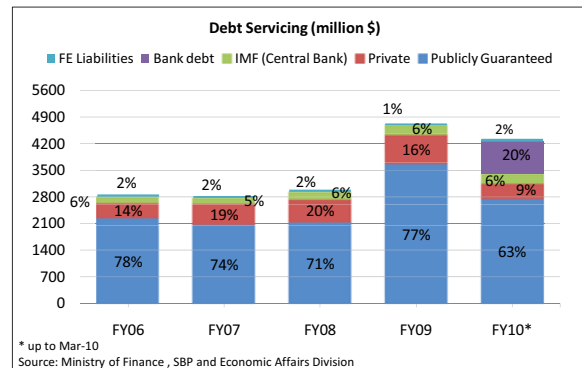
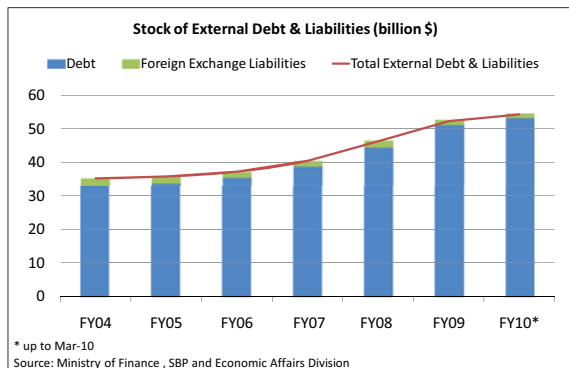
Stock of external debt continues to rise mainly due to loans from IFIs.

Debt & Liabilities - end period stocks (million \$)				Debt Servicing (million \$)		
Items	Mar-10	FY09 (Jun-09)	Absolute Δ Since Jun 2009	Items	Mar-10	FY09 (Jun-09)
I.Public & publicly guaranteed	43,462	42,567	895	I.Public & publicly guaranteed	2,744	3,663
i) Public debt	43,293	42,415	878	i) Public debt	2,601	3,559
a. Medium and long term	41,410	41,463	-53	Principal	2,082	2,667
Paris club ¹	14,017	13,998	19	Interest	519	892
Multilateral ²	23,161	23,001	160	a. Medium and long term	2,130	2,645
Other bilateral ³	1,820	1,499	321	Principal	1,632	1,826
Euro/Saindak/Sukuk bonds	1,550	2,150	-600	Interest	498	819
Military debt	157	199	-42	b. Short-term (≤ 1 yr)	472	914
Commercial loans/credits	-	166	-	c. IMF (Federal Government)	-	-
Local currency bonds (TBs & PIBs) ⁴	4	-	4	Repurchase/Principal	-	-
Saudi fund for development. (SFD)	200	-	200	Charges/Interest	-	-
SAFE China deposits	500	500	-	ii) Publicly guaranteed debt	144	104
b. Short-Term (≤ 1 yr)	800	952	-152	Principal	114	77
IDB	600	652	-52	Interest	30	27
NBP/BOC deposits	200	300	-100	II. Bank's borrowing	861	-
c. IMF (Federal Government)	1,083	-	1,083	III. Pvt. guaranteed debt	-	-
ii) Publicly guaranteed debt	169	152	17	IV. Pvt. Non-guaranteed debt	396	604
II. Banks' borrowing ⁵	262	-	226	V. Pvt. Non-guaranteed bonds	5	154
III. Pvt. guaranteed debt	-	-	-	VI. IMF (Central Bank)	248	264
IV. Pvt. non-guaranteed (M<) ⁶	3,029	3,207	-178	Repurchase/Principal	163	210
V. Pvt. non-guaranteed Bonds ⁷	137	137	0	Charges/Interest	85	54
VI. IMF (Central Bank)	6,123	5,148	975	VII. Foreign exchange liabilities	75	44
Total external debt (I to VI)	53,013	51,059	1,954	Total Servicing (I to VII):	4,347	4,728
VII. Foreign exchange liabilities ⁸	1,222	1,274	-52	Principal	3,625	3,575
Total debt & liabilities (I to VII)	54,235	52,333	1,902	Interest	722	1,153

Debt stock as a percentage of GDP is likely to increase further during FY10.

Indicators of External Debt Sustainability

Debt Stock as a % of						Debt Servicing as a % of					
	FY06	FY07	FY08	FY09	Mar-FY10		FY06	FY07	FY08	FY09	Mar-FY10
GDP ⁹	28.2	27.2	29.5	31.5	29.7	GDP	2.4	2.1	1.8	2.8	2.4
Reserves	273.5	249.3	390.1	408.5	354.0	Reserves	23.7	19.0	26.6	37.8	28.9
Exports	218.2	229.8	233.4	285.5	-	Exports	18.9	17.5	15.9	26.4	30.2



¹ Major contributors are Canada, France, Germany, Japan, Korea, USA; ² Major contributors are ADB, IBRD, IDB; ³ Major contributors are China, Kuwait, Saudi Arabia, UAE; ⁴ Local currency bonds of public sector and private non-guaranteed bonds have been captured from last quarter of FY07; ⁵ Commercial bank borrowing; ⁶ Medium and long term; ⁷ Comprises bonds issued by Mobilink & Pace International; ⁸ Include special USD bonds, national debt retirement program, central banks' deposit, NBP/BOC deposits, swap arrangements and exclude FEBCs/FCBCs & DBCs; ⁹ Based on projected GDP in dollar terms; data for exports and reserves is up to Mar-10.

Sources: Economic Affairs Division and SBP



Total Debt

Total Debt Stock

(billion Rs)

	Mar-FY10	FY09	Absolute Δ Since Jun-09	Share ³
Total debt & liabilities (I+II)	9056.4	8120.1	936.3	100.0
I.Total debt (a+b)	8953.5	8016.4	937.2	98.9
<i>a.Domestic debt</i>	4490.9	3,860.7	630.2	49.6
<i>b.External debt</i> ¹	4462.6	4155.7	307.0	49.3
II.Explicit liabilities ²	102.9	103.7	-0.8	1.1

Total Debt Servicing

(billion Rs)

	Jul-Mar			FY09
	FY10	FY09	% Δ	
Total debt servicing (I+II)	788.5	695.6	13.4	938.3
I. Total interest payment (a+b+c)	485.2	476.4	1.8	659.9
<i>a.Domestic</i>	424.8	412.2	3.1	570.2
<i>b.External</i> ⁴	58.5	62.6	-6.6	88.0
<i>c.Explicit liabilities</i>	1.9	1.6	17.7	1.7
II.Repayment of principal (external debt & liabilities)	303.3	219.2	38.4	278.3

Debt stock

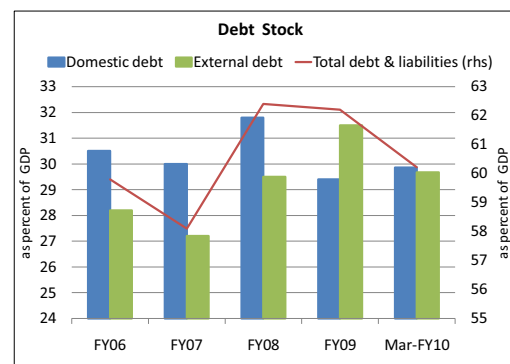
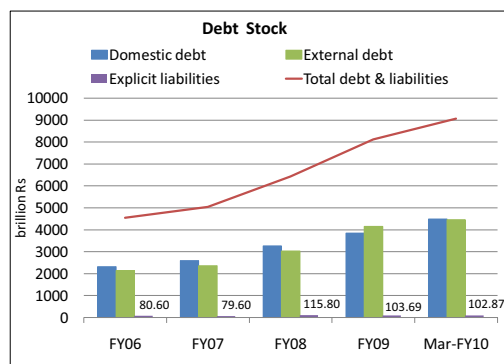
(as a percent of GDP⁵)

	FY06	FY07	FY08	FY09	Mar-FY10
Total debt & liabilities (I+II)	59.8	58.1	62.4	62.2	60.2
I.Total debt (a+b)	58.7	57.2	61.3	60.9	59.5
<i>a.Domestic debt</i>	30.5	30.0	31.8	29.4	29.9
<i>b.External debt</i>	28.2	27.2	29.5	31.5	29.7
II.Explicit liabilities	1.1	0.9	1.1	1.3	0.7

Debt servicing

(as a percent of)

	FY06	FY07	FY08	FY09	Mar-FY10 ⁶
Tax revenue	56.4	60.5	64.7	68.4	119.6
Total revenue	39.4	41.5	45.3	49.1	86.7
Total expenditure	30.3	32.1	29.9	38.6	60.0
Current expenditure	37.9	39.2	36.6	45.4	74.5
GDP ⁵	5.6	6.2	6.6	7.2	5.2



¹ Rupee value of external debt computed by applying the corresponding end period average exchange rate to the end-period stock; ² Explicit liabilities include all foreign liabilities owned by the country; ³ Based on Mar-FY10 data; ⁴ Converted from USD to rupee term, using period average exchange rate; ⁵ On the basis of projected GDP for FY10; ⁶ The data for all variables, except GDP, is for Jul-Dec FY10.

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



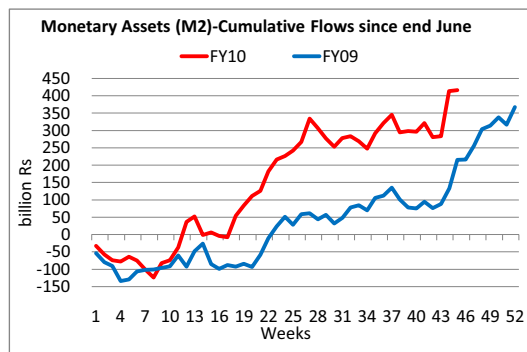
Monetary and Credit Aggregates*

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

Monetary Assets of Banking System

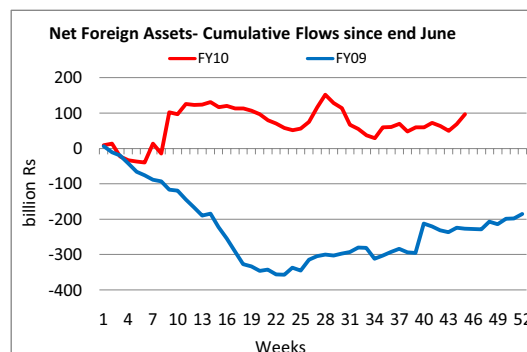
(billion Rs)

	End June 2009 Stocks	Cumulative Flows since end June		FY09
		Latest week	A year ago	
		7-May-10	9-May-09	
NFA	517	97	-227	-150
NDA	4620	319	421	598
Government borrowings: of wh.	2034	341	439	526
Budgetary borrowing	1681	366	320	316
Commodity operations	336	-25	122	211
Non-govt. sect. borrowings: of wh.	3190	197	158	170
Private sector	2907	130	20	17
PSEs	266	66	138	153
Other items (net)	-604	-219	-176	-98
M2	5137	416	194	448



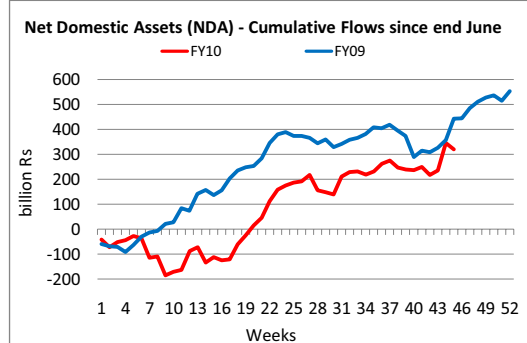
Monetary Liabilities of Banking System

Currency in circulation	1152	176	200	170
Total deposits with banks	3980	239	-6	278
Demand deposits with banks	3206	188	-119	133
Time deposits with banks	494	-3	98	127
RFCDs with banks	280	54	15	17
M2	5137	416	194	448



Percent Growth in Monetary Assets of Banking System

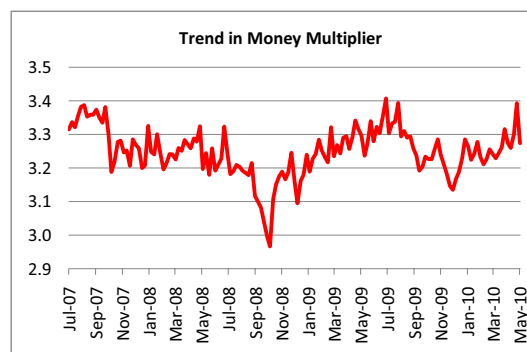
	YoY (7-May-10)	Since end June		FY09
		7-May-10	9-May-09	
		7-May-10	9-May-09	
NFA	↑ 39.5	↑ 18.8	↓ -34.0	↓ -22.5
NDA	↑ 11.2	↑ 6.9	↑ 10.5	↑ 14.9
Government borrowings	↑ 21.9	↑ 16.7	↑ 29.1	↑ 34.8
Budgetary borrowing	↑ 21.5	↑ 21.8	↑ 23.4	↑ 23.2
Commodity operations	↑ 26.1	↓ -7.3	↑ 97.0	↑ 168.1
Non-government sector borrowings	↑ 6.6	↑ 6.2	↑ 5.2	↑ 5.6
Private sector	↑ 4.4	↑ 4.5	↑ 0.7	↑ 0.6
PSEs	↑ 32.0	↑ 24.9	↑ 121.7	↑ 134.3
Other items (Net)	↑ 20.5	↑ 36.2	↑ 34.8	↑ 19.3
M2	↑ 13.7	↑ 8.1	↑ 4.1	↑ 9.6



Memorandum Items

(billion Rs)

	Latest week	A year ago	FY09
	7-May-10	9-May-09	
	Money multiplier	3.3	
Currency to deposit ratio	31.5	32.0	28.9
M2 to GDP ratio	42.4	47.5	39.2
Private sector credit to GDP ratio	23.2	24.3	22.2



*All FY10 numbers are provisional

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



Reserve money expanded with improvement in NFA and increase in government's budgetary borrowings.

Monetary Assets of SBP

(billion Rs)

	End June 2009 Stocks	Cumulative Flows		FY09 (Provisional)
		Latest week	A year ago	
		7-May-10	9-May-09	
NFA	324	129	-251	-156
NDA: of which	1183	59	259	183
Budgetary borrowing	1165	163.9	184	131
Other items (net)	-295	-121	4	-23
Net Impact of OMOs/Discounting	5	-36	47	-
Reserve money	1508	189	7	27

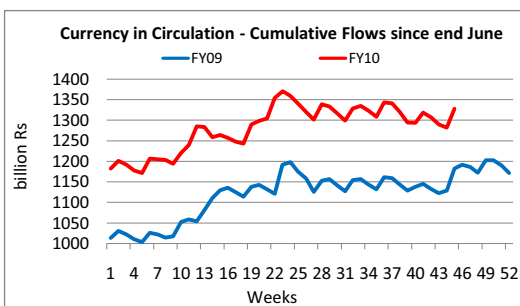
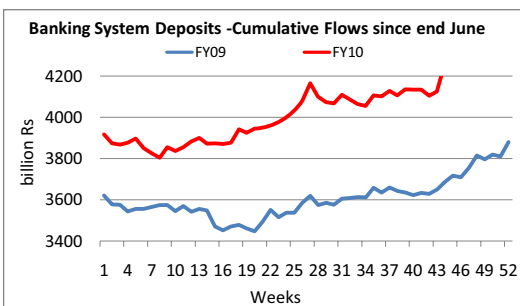
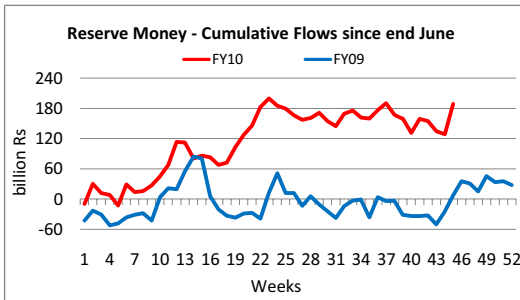
Monetary Liabilities of SBP

(billion Rs)

	End June 2009 Stocks	Cumulative Flows		FY09
		Latest week	A year ago	
		7-May-10	9-May-09	
Currency in circulation	1152	176	200	170
Cash in tills	77	-13	-9	8
Bank deposits with SBP (reserve)	274	24	-185	-151
Other deposits with SBP	4.7	1.8	0.6	0.4

Percent growth

NFA of the SBP	39.8	-52.3	-32.4
NDA of the SBP: of which	5.0	25.9	18.3
Budgetary borrowing	14.1	17.8	12.7
Other items (net)	41.0	-1.5	8.4
Reserve money	12.5	0.5	1.9

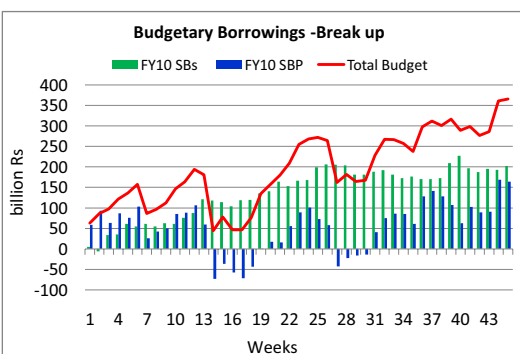
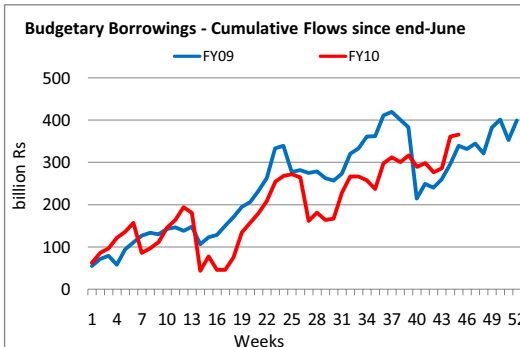


Government met the shortfall in financing of fiscal deficit through increased borrowings from SBP.

Details on Government Borrowing for Budgetary Support

(billion Rs)

	End June 2009 Stocks	Cumulative Flows		FY09
		Latest week	A year ago	
		7-May-10	9-May-09	
Budgetary Borrowing	1681	366	320	316
Federal government	1849	362	322	272
From SBP	1112	148	166	44
SBP's Holdings of MRTBs	1108	116	146	55
From SBs	737	214	156	228
Provincial governments	-168	4	-3	44
From SBP	53	15	18	87
From SBs	-221	-12	-21	-42



Memorandum Items

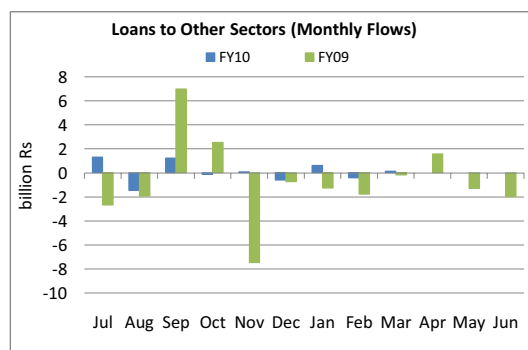
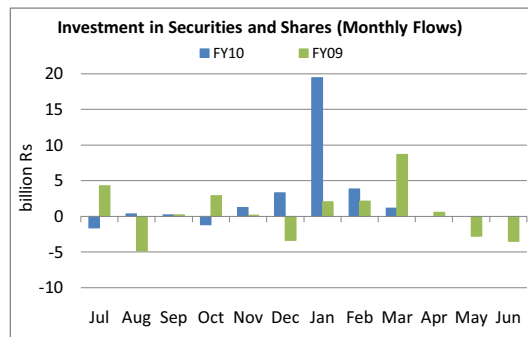
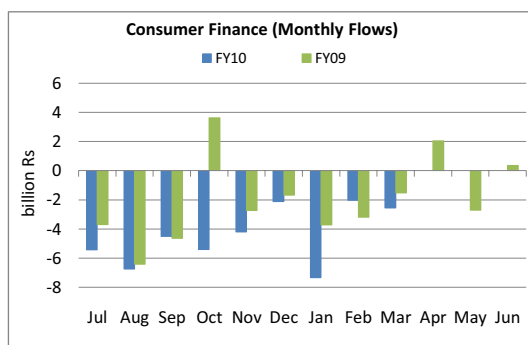
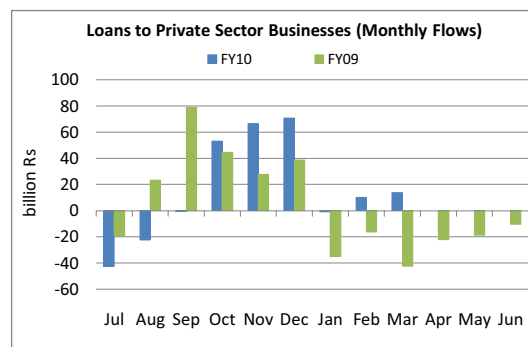
Cash basis	1630	346	326	305
SBP	1130	165	170	114
SBs	500	181	156	191



Increase in credit to private sector businesses is reflective of recovery in real sector.

Credit to Private Sector

	End June 2009 Stocks	Flows during (billion Rs)		
		Jul-Mar FY10	Jul-Mar FY09	FY09
Total credit to private sector	2906.9	124.0	-152.8	18.9
1. Loans to private sector businesses	2153.0	147.7	100.5	49.1
By type				
Working capital	1378.0	79.8	-49.8	-112.7
of which				
Export finance	227.8	21.8	13.7	15.4
Import finance	93.9	-3.0	-14.6	-7.6
Fixed investment	775.0	67.9	150.3	161.8
By Sectors				
Of which				
Agriculture	163	↑ 6.5	↑ 8.5	↑ 3.3
Manufacturing	1232	↑ 95.0	↑ 88.4	↑ 27.3
<i>Of which</i>				
Textiles	483	↑ 32.9	↑ 1.4	↓ -33.4
Food products & beverages	203	↑ 44.3	↑ 33.5	↑ 11.4
Chemicals & products	138	↑ 14.3	↑ 26.0	↑ 25.3
Non-metallic mineral products	102	↓ -0.2	↑ 10.2	↑ 10.5
Wearing apparel, readymade gar.	48	↑ 0.3	↑ 3.6	↑ 3.6
Electricity, gas and water	154	↑ 46.6	↑ 22.2	↑ 43.4
Construction	71	↓ -2.0	↓ -6.8	↓ -8.7
Commerce and trade	234	↓ -4.3	↓ -7.5	↓ -16.2
Transport, storage and comm.	97	↑ 6.4	↑ 2.4	↑ 3.6
Services	149	↑ 2.0	↓ -3.3	↑ 3.0
<i>Of which</i>				
Real estate/renting & business activities	107	↓ -0.9	↓ -2.3	↓ -0.8
2. Personal: of which	364	↓ -35.2	↓ -45.7	↓ -54.8
Consumer financing	294	↓ -40.4	↓ -51.1	↓ -62.5
3. Investment in securities and shares	113	↑ 26.9	↑ 12.3	↑ 6.6
4. Others	277	↓ -15.4	↑ 24.9	↑ 18.0

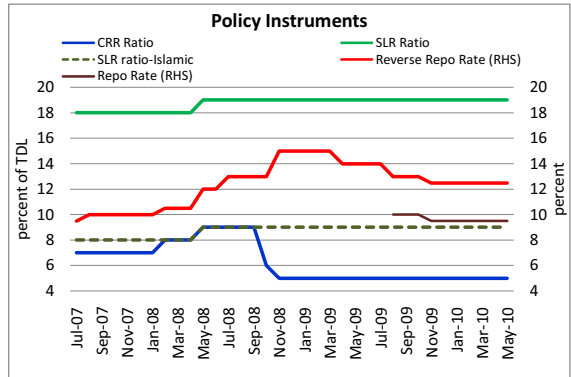




Money Market

SBP kept the policy rate unchanged at 12.5 percent in the last monetary policy review in March 2010.

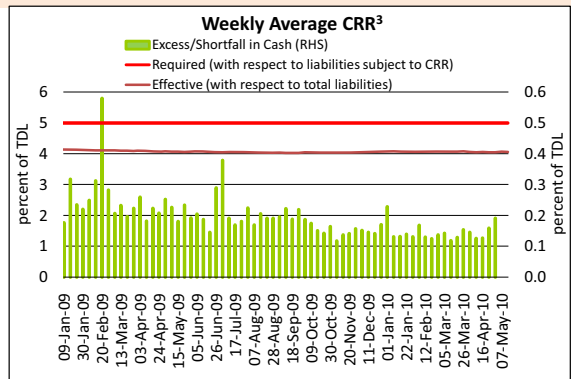
	Policy Instruments (%)				
	Current	w.e.f	Previous	w.e.f	Change ¹
SBP reverse repo rate	12.5	25-Nov-09	13.0	17-Aug-09	↓ -50
SBP repo rate	9.5	25-Nov-09	10.0	17-Aug-09	↓ -50
CRR on demand liabilities	5.0	1-Nov-08	6.0	18-Oct-08	↓ -100
CRR on time liabilities	0.0	4-Aug-07	3.0	19-Jan-07	↓ -300
SLR on demand liabilities	19.0	24-May-08	18.0	22-Jul-06	↑ 100
Islamic banks	9.0	25-May-08	8.0	22-Jul-06	↑ 100
SLR on time liabilities	0.0	18-Oct-08	19.0	24-May-08	↓ -1900
Islamic banks	0.0	19-Oct-08	9.0	24-May-08	↓ -900



¹ Basis points

Excess cash reserves of banks (held with SBP) rose to Rs8 billion during the week ending on 30th April 2010 compared to an average of Rs6 billion since early October 2009.

	Weekly Cash Reserve Requirements ¹ (billion Rs)			
	Last		Change since	
	Current	month	16-Apr-10	20-Nov-09 ²
Cash Required	177.3	178.0	↓ -0.7	↑ 8.3
Cash Maintained	185.7	183.6	↑ 2.1	↑ 10.8
Excess Cash Reserves	8.4	5.6	↑ 2.8	↑ 2.5

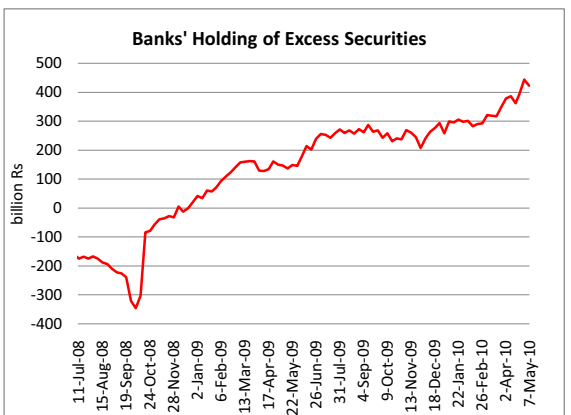


¹ Weekly CRR is the proportion of total time and demand liabilities that schedule banks are required to maintain with SBP in the form of cash on average during the week (Friday to Thursday). The data is reported by Off-site Supervision and Enforcement Department with a lag of about 1-2 weeks.

² As on Friday preceding monetary policy decision.

Banks' holding of liquid assets (cash+securities) continues to remain in excess of overall reserve requirements.

	Overall Reserve Requirement (billion Rs)			
	Last		Change since	
	Current	Month	17-Apr-10	4-Oct-08
Required Reserves	851.8	827.6	↑ 24.2	↓ -108.1
Cash ¹	181.7	176.6	↑ 5.1	↓ -92.7
Securities ²	670.1	651.1	↑ 19.0	↓ -15.4
Maintained	1600.3	1503.9	↑ 96.4	↑ 581.5
Cash	289.5	278.1	↑ 11.4	↓ -99.3
Cash in Tills	78.0	83.4	↓ -5.4	↓ -10.1
Balance with SBP	198.7	181.1	↑ 17.5	↓ -90.0
Balance with NBP	12.9	13.6	↓ -0.7	↑ 0.8
Securities	1274.5	1190.0	↑ 84.5	↑ 661.3
Others ¹	36.3	35.8	↑ 0.5	↑ 19.5
Excess of Securities²	422.7	362.4	↑ 60.4	↑ 769.4
Excess of Liquid Assets³	748.5	676.3	↑ 72.3	↑ 689.6



Source: Off-site Supervision and Enforcement Department, SBP

¹ Required under weekly average CRR

² Required under SLR

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

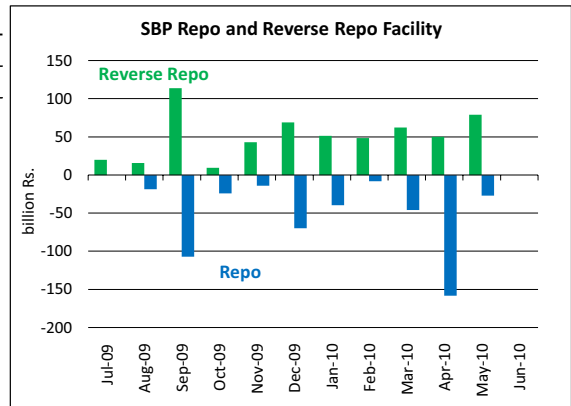
⁴ This is amount of securities held by banks in excess of required under SLR.

⁵ Includes excess securities + cash and other assets maintained.



Banks' frequent use of SBP repo (deposit) facility in last two months suggests that market liquidity conditions have started to ease.

	SBP Reverse Repo			SBP Repo		
	Amount	Days	visits	Amount	Days	visits
	billion Rs	#s	#s	billion Rs	#s	#s
FY09	865.0	122	505	-	-	-
Q1	314.5	24	151	-	-	-
Q2	304.5	63	225	-	-	-
Q3	145.5	23	88	-	-	-
Q4	100.5	12	41	-	-	-
FY10	563.0	48	249	511.3	47	182
Q1	149.6	13	68	125.6	12	34
Q2	121.8	11	51	107.4	15	65
Q3	162.1	17	83	93.3	11	35
Q4	129.6	7	47	185.1	9	48
Apr	50.3	4	29	158.1	6	44
May	79.3	3	18	27.0	3	4



*Updated upto 19th May 2010

Sources: Domestic Markets & Monetary Management Department, SBP

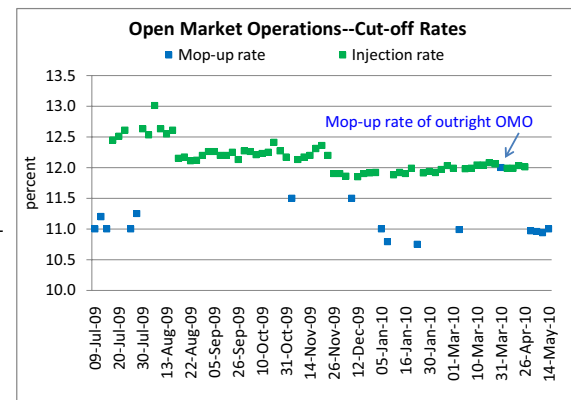
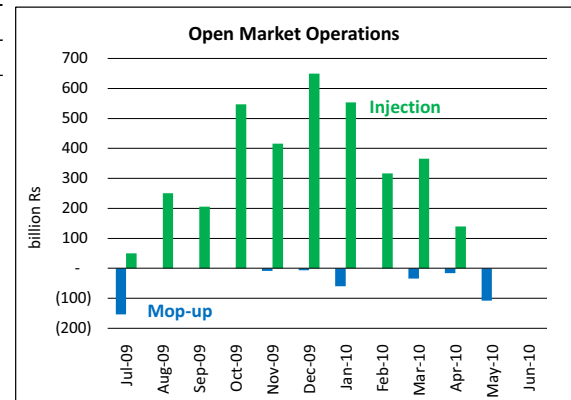
During May 2010 so far, SBP conducted OMOs to mop-up surplus liquidity only from the system.

	Open Market Operations (billion rupees)*			Outstanding OMOs	
	Mop-up	Injection	Net Mop-up*	Amount	Maturity
FY09	1,367.7	1,234.1	133.6	-	-
Q1	436.1	254.6	181.4	-	-
Q2	384.3	237.9	146.4	-	-
Q3	392.3	60.0	332.3	-	-
Q4	155.0	681.5	(526.5)	-	-
FY10	384.7	3,491.9	(3,107.2)	-	-
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	123.0	139.4	(16.4)	-	-
Apr	16.0	139.4	(123.4)	-	-
May	107.0	-	107.0	-	-
3-May	65.0	-	65.0	(65.0)	7-May-10
7-May	15.5	-	15.5	(15.5)	14-May-10
10-May	7.5	-	7.5	(7.5)	14-May-10
14-May	19.0	-	19.0	(19.0)	21-May-10

Updated upto 19th May 2010

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

Source: Domestic Markets & Monetary Management Department, SBP



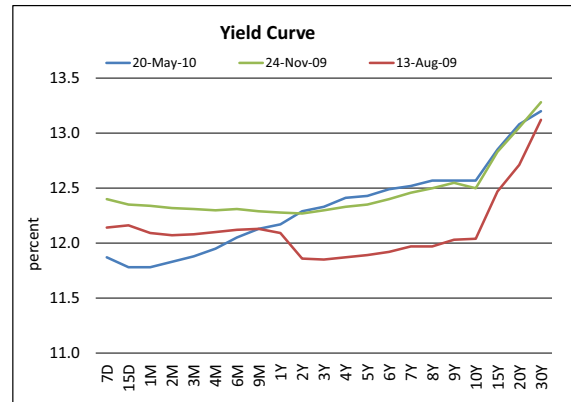


Fall in short-term rates, following a reduction in policy rate by 50 bps on 24th November 2009, has steepened the yield curve.

Pak Rupee Revaluation (PKRV) Rates¹ (%)

Tenors	Current	last month	Change since last policy rate change*	
	20-May-10	26-Apr-10		24-Nov-09
1-week	11.87	11.58	↓	-53
2-week	11.78	11.79	↓	-57
1-month	11.78	11.95	↓	-56
3-month	11.88	12.06	↓	-43
6-month	12.05	12.21	↓	-26
9-month	12.13	12.26	↓	-16
1-year	12.17	12.28	↓	-11
2-year	12.29	12.34	↑	2
3-year	12.33	12.36	↑	3
5-year	12.43	12.45	↑	8
7-year	12.52	12.55	↑	6
10-year	12.57	12.55	↑	7
20-year	13.08	13.10	↑	3
30-year	13.20	13.23	↓	-8

Source: Financial Market Association of Pakistan * In basis points



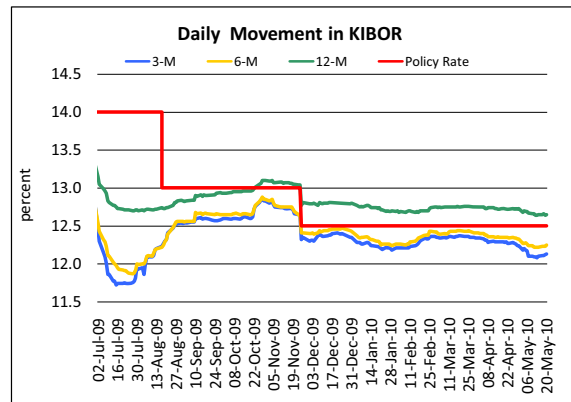
¹ It is secondary market yield-to-maturity used by banks to revalue their holding of securities (i.e. mark to market).

With the decline in short-term rates and improved market liquidity conditions, KIBOR of 3 and 6 month tenors have also been falling since mid-April 2010.

Tenor-wise KIBOR (%)

Tenors	Current	last month	Change since last policy rate change*	
	20-May-10	23-Apr-10		24-Nov-09
1-Week	12.25	11.96	↓	-49
2-Week	12.24	12.12	↓	-51
1-Month	12.24	12.34	↓	-51
3-Month	12.13	12.27	↓	-51
6-Month	12.25	12.34	↓	-40
9-Month	12.56	12.65	↓	-39
12-Month	12.65	12.72	↓	-39
2-Year	12.76	12.82	↓	-44
3-Year	12.87	12.93	↓	-51

Source: SBP and Financial Market Association of Pakistan * In basis points

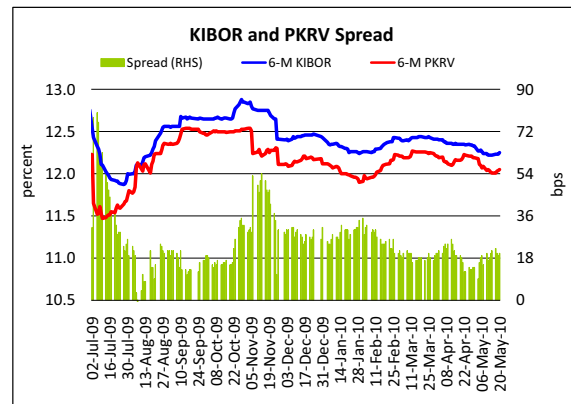


The spread between 6-month KIBOR and 6-month PKRV rate has slightly increased since mid-April

KIBOR and PKRV Spread (basis points)

Tenors	Current	last month	Change since last policy rate change	
	20-May-10	23-Apr-10		24-Nov-09
1-Week	38	38	↑	4
2-Week	46	33	↑	6
1-Month	46	39	↑	5
3-Month	25	21	↓	-8
6-Month	20	13	↓	-14
9-Month	43	39	↓	-23
12-Month	48	44	↓	-28
2-Year	47	48	↓	-46
3-Year	54	57	↓	-54

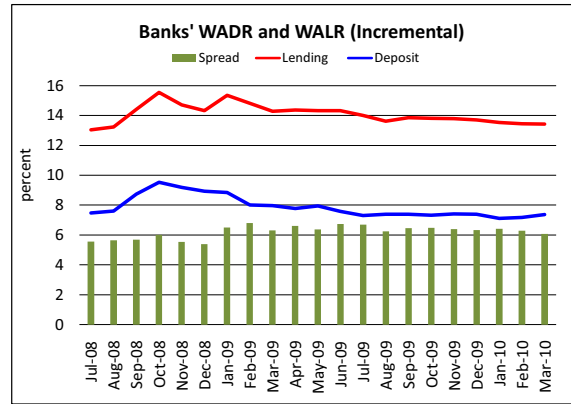
Sources: SBP





The spread between weighted average lending and deposit rates (incremental) fell in March 2010 due to both a rise in deposit rates and a fall in lending rates.

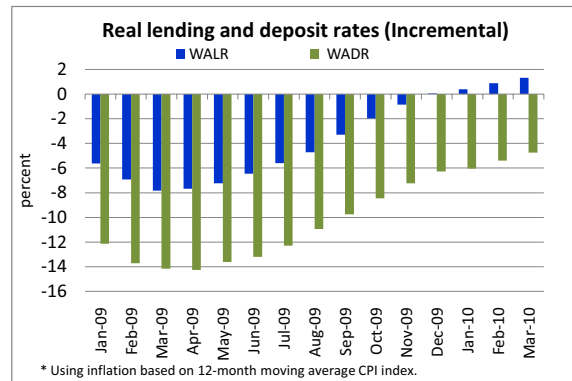
Months	Weighted average Lending and Deposit Rates (percent per annum)					
	Incremental ¹			Outstanding		
	WALR	WADR	Spread (bps)	WALR	WADR	Spread (bps)
Mar-09	14.28	7.96	632	14.38	6.72	766
Apr-09	14.37	7.77	660	14.14	6.60	754
May-09	14.32	7.94	638	14.09	6.62	747
Jun-09	14.32	7.58	674	14.02	6.50	752
Jul-09	14.01	7.31	670	13.79	6.44	735
Aug-09	13.62	7.38	624	13.73	6.41	732
Sep-09	13.85	7.39	646	13.67	6.29	738
Oct-09	13.82	7.33	649	13.67	6.26	741
Nov-09	13.80	7.41	639	13.58	6.25	733
Dec-09	13.71	7.38	633	13.49	6.14	735
Jan-10	13.53	7.11	642	13.35	6.10	725
Feb-10	13.46	7.18	628	13.38	6.07	731
Mar-10	13.44	7.37	607	13.40	6.10	730



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

Real lending and deposit rates rose during March 2010 due to a slight fall in inflation.

Months	Real (based on 12-month MA inflation) ¹		Real (based on YoY inflation) ²	
	WALR	WADR	WALR	WADR
	Mar-09	-7.83	-14.15	-4.79
Apr-09	-7.67	-14.27	-2.82	-9.42
May-09	-7.23	-13.61	-0.07	-6.45
Jun-09	-6.45	-13.19	1.18	-5.56
Jul-09	-5.59	-12.29	2.84	-3.86
Aug-09	-4.71	-10.95	2.93	-3.31
Sep-09	-3.30	-9.76	3.73	-2.73
Oct-09	-1.97	-8.46	4.95	-1.54
Nov-09	-0.85	-7.24	3.29	-3.10
Dec-09	0.06	-6.27	3.19	-3.14
Jan-10	0.38	-6.04	-0.15	-6.57
Feb-10	0.89	-5.39	0.42	-5.86
Mar-10	1.32	-4.75	0.53	-5.54



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

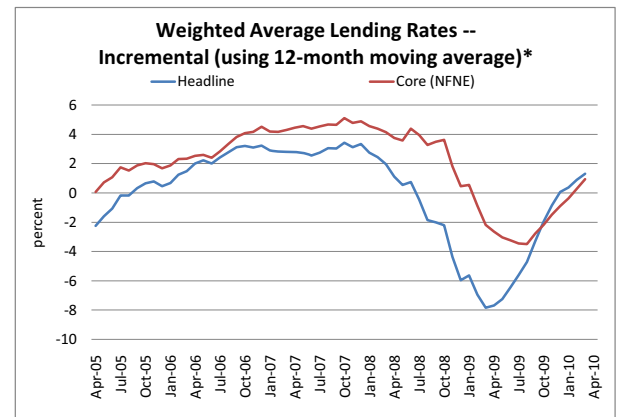
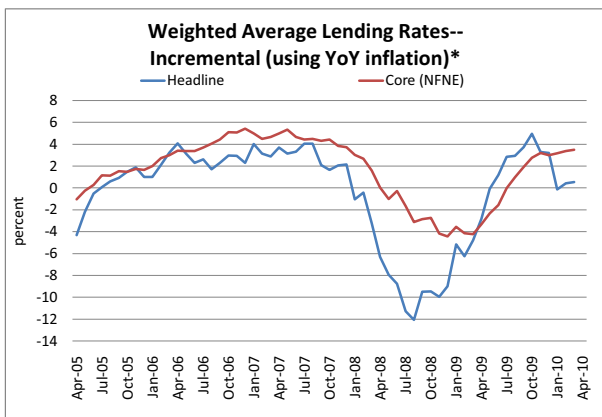
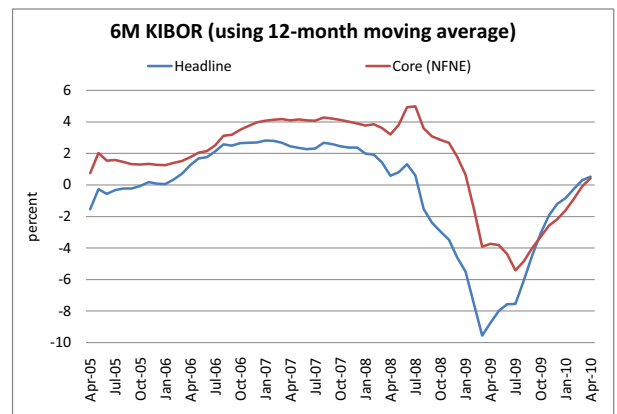
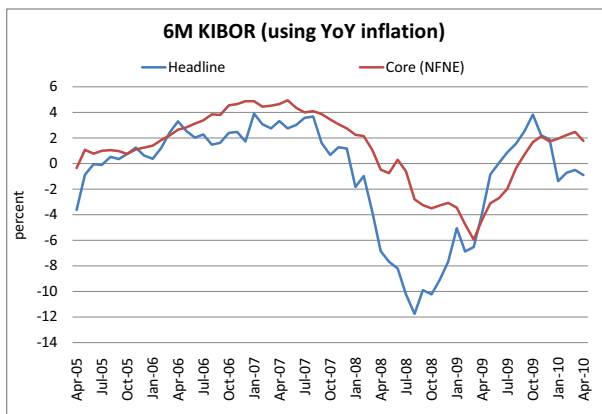
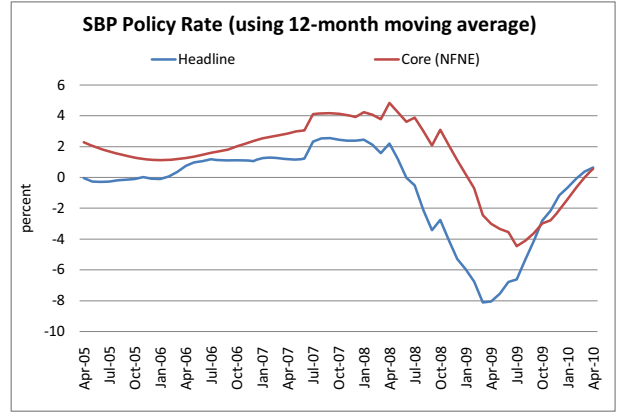
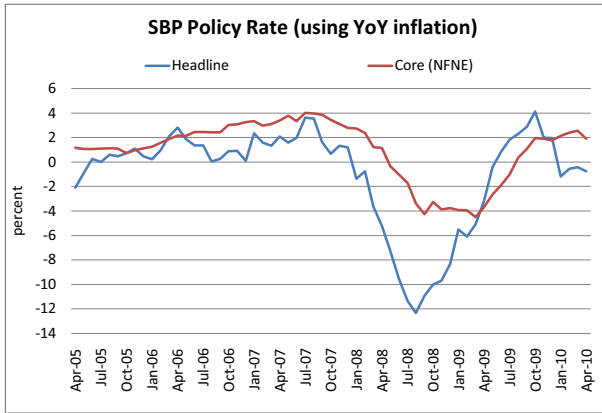
¹ Nominal rate less CPI inflation (12-month moving average).

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

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



Real Interest Rates



Sources: FBS and Statistics & Data Warehouse Department, SBP

* The weighted average lending and deposit rates for the month of April 2010 are not available.



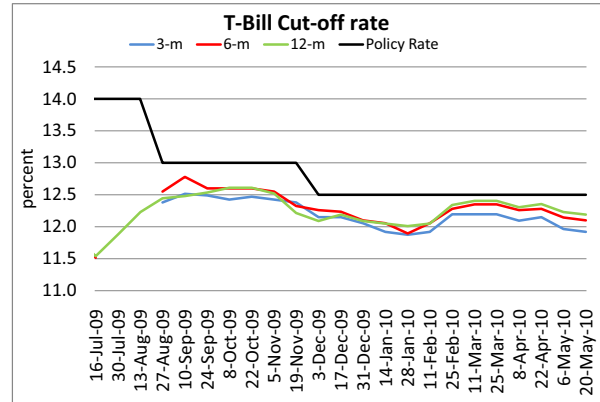
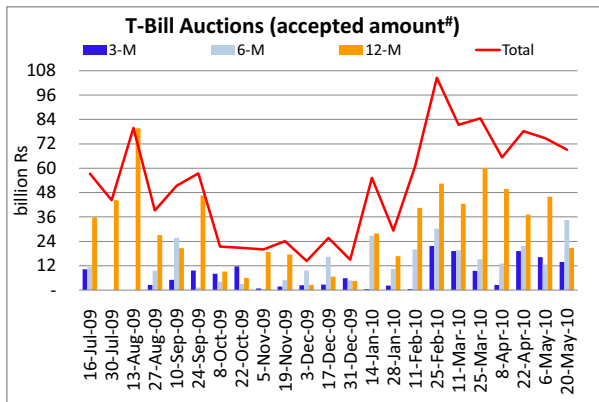
Banks continue to bid aggressively for 12-month T-bills in recent auctions.

Amounts in billion rupees (realized value) #; rates in percent

FY/Q/ Settlement Date	TOTAL				3-Month			6-Month			12-Month		
	Target	Maturity	Offered	Accepted	Offered	Accepted	Cutoff	Offered	Accepted	Cutoff	Offered	Accepted	Cutoff
FY09	1,845.0	1,560.7	3,086.2	1,747.0	1,389.2	954.6	-	308.3	196.9	-	1,388.7	595.5	-
Q1	430.0	397.1	417.0	289.2	398.1	283.4	-	1.3	0.3	-	17.6	5.4	-
Q2	425.0	327.6	559.2	418.9	539.4	410.5	-	14.5	8.0	-	5.3	0.4	-
Q3	640.0	585.4	1,474.8	699.3	434.5	253.7	-	240.1	157.3	-	800.2	288.3	-
Q4	350.0	250.5	635.3	339.7	17.2	7.0	-	52.4	31.3	-	565.7	301.4	-
FY10	1,180.0	930.0	2,587.1	1,173.3	464.8	165.9	-	700.4	295.1	-	1,421.8	712.3	-
Q1	325.0	180.8	700.3	329.0	56.5	27.3	-	147.8	47.7	-	496.0	254.0	-
Q2	145.0	75.1	462.9	141.1	101.4	33.1	-	133.1	43.4	-	228.4	64.6	-
Q3	430.0	401.7	701.1	415.8	160.6	53.7	-	215.1	122.1	-	325.4	240.0	-
Q4	280.0	272.5	722.8	287.4	146.4	51.8	-	204.4	82.0	-	372.0	153.6	-
8-Apr	65.0	62.4	202.1	65.4	27.5	2.6	12.10	52.6	13.1	12.26	122.0	49.7	12.30
22-Apr	80.0	75.6	149.8	78.1	25.9	19.2	12.15	43.3	21.8	12.28	80.5	37.2	12.36
6-May	75.0	74.8	225.8	74.7	70.1	16.2	11.97	49.8	12.6	12.14	105.8	46.0	12.23
20-May	60.0	59.8	145.2	69.1	22.8	13.9	11.92	58.7	34.5	12.10	63.7	20.8	12.19

N= No Bids Received R= Bids Rejected # Non-competitive bids and special auctions are not included.

Source: Domestic Markets & Monetary Management Department, SBP



Bidding pattern of PIB auction on 17th March 2010 continues to lean towards 10-year bonds with rising cut-off rates in most tenors.

PIB Auctions (Yields in % and Face Value in bln Rs)

Auction Date	Target	3-Year	5-Year	7-Year	10-Year	15-Year	20-Year	30-Year	Total
17-Mar-10	Cut-off rate	-	12.50	12.60	12.70	12.75	N	R	R
	Offered	-	3.7	2.5	0.6	10.0	N	1.8	4.8
	Accepted	10.0	1.3	1.1	0.3	6.3	N	R	9.0
3-Feb-10	Cut-off rate	-	12.30	12.41	12.50	12.54	12.90	13.10	13.55
	Offered	-	4.2	2.1	0.7	7.8	0.1	4.7	4.7
	Accepted	10.0	3.1	1.4	0.2	4.2	0.1	0.5	0.5
11-Nov-09	Cut-off rate	-	12.26	12.40	12.43	12.44	12.86	13.21	13.74
	Offered	-	5.5	4.1	2.3	20.7	1.3	1.0	1.0
	Accepted	15.0	1.9	2.1	0.6	9.0	0.6	0.5	0.8
2-Sep-09	Cut-off rate	-	12.30	12.4	12.46	12.50	12.93	13.30	13.75
	Offered	-	1.9	2.0	1.3	17.2	1.4	1.0	1.0
	Accepted	15.0	0.4	0.6	0.8	12.5	0.1	0.5	0.5
27-May-09	Cut-off rate	-	12.50	12.4	12.58	12.63	13.39	13.80	14.30
	Offered	-	3.8	5.8	3.00	32.2	0.3	1.5	2.0
	Accepted	20.0	2.5	2.5	1.53	11.8	0.1	0.2	2.0

Source: Domestic Markets & Monetary Management Department, SBP

*N=No bids

*R= Bids rejected

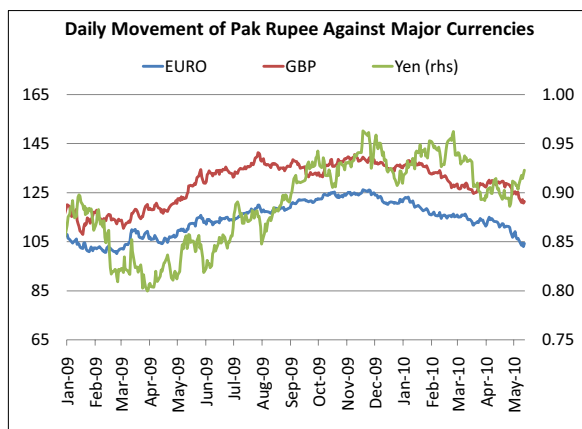
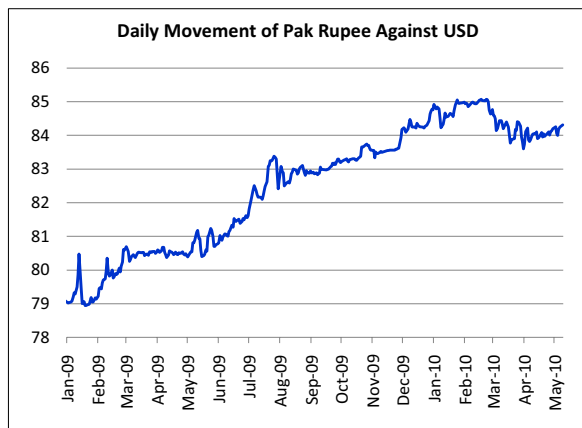


Foreign Exchange Market

PKR has strengthened against major currencies during the last two months.

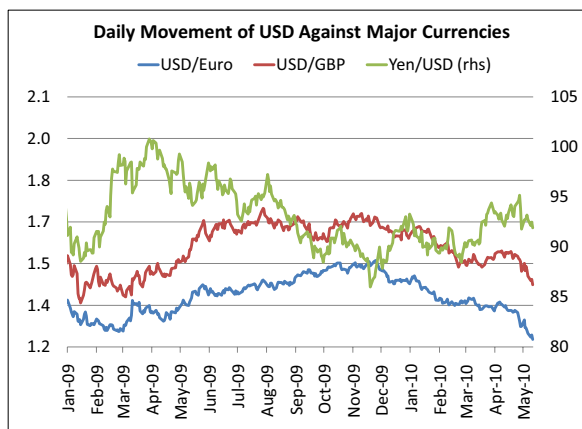
	PKR against International Currencies			% App/Dpp of PKR Cumulative since Jun 09
	Latest 20 May 10	Last MPS 27 Mar 10	Jun-09	
USD	84.47	83.86	81.46	-3.57
EURO	104.65	112.47	114.80	9.70
Sterling	121.33	124.98	135.39	11.59
JPY	0.93	0.91	0.85	-7.88
USD Kerb	84.40	84.35	81.48	-3.47
Premium (Rs)	-0.07	0.49	0.02	-
Daily NEER	55.58	54.41	55.84	-0.47

Source: SBP



	International Exchange Rates			% App/Dpp Cumulative since Jun 09
	Latest 20 May 10	Last MPS 27 Mar 10	Jun-09	
USD/Euro	1.24	1.34	1.41	13.72
USD/GBP	1.44	1.49	1.66	15.27
JPY /USD	91.57	92.52	95.48	4.27
Ind Rs/USD	46.33	45.13	47.98	3.58
Yuan/USD	6.83	6.83	6.83	0.04
Baht/USD	32.36	32.40	34.05	5.21
Ringgit/USD	3.28	3.31	3.52	7.33
Sing\$/USD	1.41	1.40	1.45	2.85

Source: SBP





Changes in Real Effective Exchange Rate (REER)															
Base Year: CY2000															
		REER Index	App(+)/Dep(-)												
			2007			2008				2009				2010	
			Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Apr ^p
2007	Jun	96.09	-	2.04	0.04	-2.14	-2.34	-5.77	-0.67	1.53	-2.59	-3.50	-4.25	0.78	3.32
	Sep	98.05	-	-	-1.96	-4.10	-4.29	-7.66	-2.65	-0.50	-4.53	-5.43	-6.16	-1.23	1.26
	Dec	96.13	-	-	-	-2.18	-2.38	-5.81	-0.70	1.49	-2.63	-3.54	-4.29	0.74	3.28
2008	Mar	94.03	-	-	-	-	-0.20	-3.71	1.51	3.76	-0.46	-1.39	-2.15	2.99	5.59
	Jun	93.84	-	-	-	-	-	-3.52	1.72	3.97	-0.25	-1.19	-1.96	3.20	5.80
	Sep	90.54	-	-	-	-	-	-	5.42	7.75	3.38	2.41	1.62	6.96	9.66
	Dec	95.45	-	-	-	-	-	-	-	2.21	-1.94	-2.85	-3.61	1.46	4.02
2009	Mar	97.56	-	-	-	-	-	-	-	-	-4.06	-4.96	-5.69	-0.74	1.77
	Jun	93.60	-	-	-	-	-	-	-	-	-	-0.94	-1.70	3.46	6.07
	Sep	92.73	-	-	-	-	-	-	-	-	-	-	-0.78	4.44	7.07
	Dec	92.01	-	-	-	-	-	-	-	-	-	-	-	5.26	7.91
2010	Mar	96.85	-	-	-	-	-	-	-	-	-	-	-	-	2.52
	Apr ^p	99.29	-	-	-	-	-	-	-	-	-	-	-	-	-

^p Highly Provisional

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

		WA Exchange Rate	App(+)/Dep(-)												
			2007			2008				2009				2010	
			Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	20-May
2007	Jun	60.41	-	-0.48	-2.17	-3.69	-11.53	-22.59	-23.63	-24.91	-25.78	-27.38	-28.31	-28.24	-28.44
	Sep	60.70	-	-	-1.70	-3.22	-11.11	-22.22	-23.27	-24.55	-25.43	-27.03	-27.97	-27.90	-28.10
	Dec	61.75	-	-	-	-1.55	-9.57	-20.88	-21.94	-23.24	-24.14	-25.77	-26.72	-26.65	-26.86
2008	Mar	62.72	-	-	-	-	-8.15	-19.63	-20.71	-22.03	-22.94	-24.60	-25.57	-25.50	-25.71
	Jun	68.28	-	-	-	-	-	-12.50	-13.68	-15.12	-16.11	-17.91	-18.97	-18.89	-19.12
	Sep	78.04	-	-	-	-	-	-	-1.34	-2.99	-4.12	-6.18	-7.39	-7.30	-7.56
	Dec	79.10	-	-	-	-	-	-	-	-1.67	-2.82	-4.90	-6.13	-6.04	-6.30
2009	Mar	80.44	-	-	-	-	-	-	-	-	-1.17	-3.29	-4.54	-4.44	-4.71
	Jun	81.39	-	-	-	-	-	-	-	-	-	-2.15	-3.41	-3.31	-3.59
	Sep	83.18	-	-	-	-	-	-	-	-	-	-	-1.29	-1.19	-1.47
	Dec	84.26	-	-	-	-	-	-	-	-	-	-	-	0.10	-0.18
2010	Mar	84.18	-	-	-	-	-	-	-	-	-	-	-	-	-0.28
	20-May	84.42	-	-	-	-	-	-	-	-	-	-	-	-	-



Capital Market

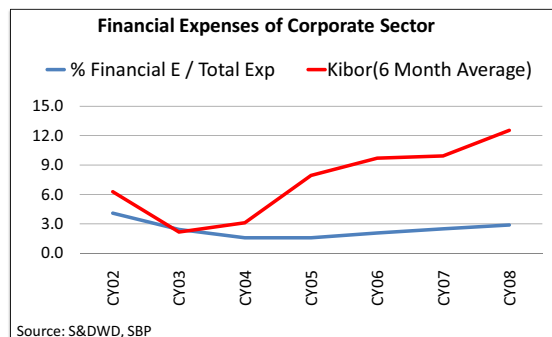
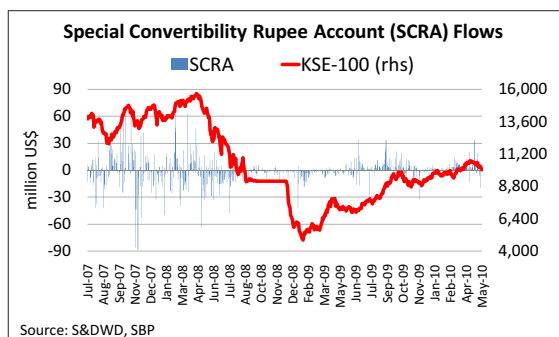
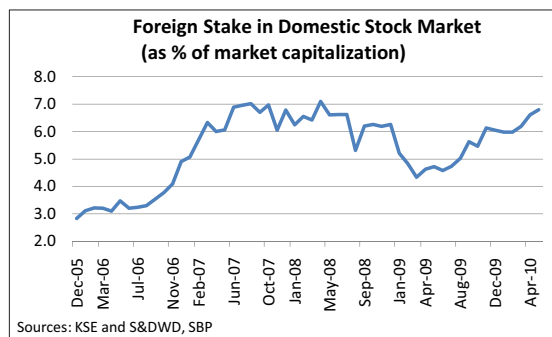
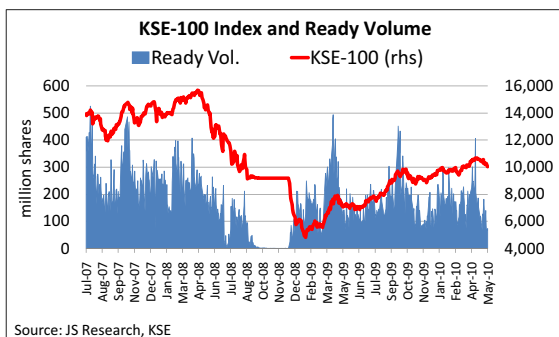
KSE-100 index, ready volume and market capitalization declined in May 2010 compared to previous month.

Performance of Karachi Stock Exchange

	FY10			FY09	Change (%)			
	May-10 ¹	Apr-10	Dec-09		May 10 ¹ over Apr 10	May 10 ¹ over Dec-09	FY10 ¹ over FY09	FY09 over FY08
KSE-100 Index	10,033.8	10,428.1	9,386.9	7,162.2	-3.8	6.9	40.1	-41.7
KSE-30 Index	10,100.9	10,490.3	9,849.9	7,571.1	-3.7	2.5	33.4	-47.2
Market Capitalization (billion Rs.)	2,831.5	2,947.7	2,705.9	2,120.7	-3.9	4.6	33.5	-43.9
Ready Volume (million shares-Avg.)	108.4	194.3	173.1	105.1	-44.2	-37.3	3.2	-56.4
SCRA Cumulative flows (US\$ million)	528.6	520.8	270.0	-537.2	1.5	95.8	198.4	131.5
Average CFS Rate (percent) ²	n.a	n.a	n.a	28.9	n.a	n.a	n.a	145.0
CFS Investments, end period (billion Rs.) ²	n.a	n.a	n.a	0.1	n.a	n.a	n.a	-100.0

¹ upto May 17, 2010; ² CFS discontinued from July 1, 2009

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





Financial Soundness Indicators

Despite higher provisioning against rising NPLs, banks' profitability indicators show improvement over 2008.

	2008	Jan-Mar 2009	Apr-Jun 2009	Jul-Sep 2009	Sep-Dec 2009
Risk weighted CAR*	12.3	12.9	13.5	14.3	14.1
NPLs to total loans	10.5	11.5	11.5	12.4	12.2
Provision to NPLs	69.6	69.2	70.2	69.7	71.0
Returns on assets (before tax)	1.2	1.8	1.7	1.6	1.5
Return on assets (after tax)	0.8	1.1	1.0	0.9	0.9
ROE--average equity and surplus (before tax)	11.4	17.7	16.0	15.1	14.5
ROE--average equity and surplus (after tax)	7.8	10.7	9.7	9.0	8.6
Net interest income/gross income	70.4	75.8	73.0	73.1	72.3
Liquid assets/total assets	28.6	30.5	31.2	31.4	32.3
Liquid assets/total deposits	38.2	41.5	41.7	42.7	44.1
Advances/deposits	75.5	71.7	69.6	69.6	67.9

Source: Banking Surveillance Department (BSD), SBP

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

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

