

NOTICE

Subject: Revisions in Monetary Statistics

1. Reclassification of State Bank of Pakistan (SBP) Holdings of Unissued Coins

In Pakistan, Government of Pakistan (GoP) is the sole authority to issue coins of various denominations. SBP issues these coins to general public on behalf of GoP. These coins are purchased from GoP at their respective face values. The unissued coins are shown as assets of SBP and are added in Claims on Government while compiling Analytical Accounts of SBP.

With reference to Monetary & Financial Statistics Compilation Guide (Page 172), the Central Bank or Central Government Holdings of unissued coins should be recorded as Non Financial Assets rather than being treated as Claims on Central Government. Therefore, unissued coins are classified as Non-Financial assets from June 2008 onwards. The changes in Analytical Accounts of SBP are reflected in table below.

| Description | Pre-revised Data | Revised Data |
|------------------------------|---|--|
| Claims on Central Government | Assets Securities Loans Unissued Coins Others | Assets Securities Loans ----- Others |
| Other Items (Net) | Other Items | Other Items plus Unissued Coins |

2. Reclassification of SBP Portfolio Investment Accounts Under Securities Other than Shares

SBP publishes its Foreign Exchange Reserve through “International Reserves and Foreign Currency Liquidity Template” on monthly basis. The said document covers instrument wise foreign currency reserves of SBP. To reconcile instrument wise foreign currency reserves of SBP published through analytical accounts of SBP and International Reserve and Foreign Currency Liquidity Template, “Portfolio Investment Accounts” and accrued mark up on them has been reclassified under “Securities”. Previously these were classified under “Deposits”.

The changes in instrument wise data under foreign assets are shown in table below.

| Description | Pre-revised Data | Revised Data |
|--------------------|--|--|
| Foreign Assets | Foreign Assets Gold SDRs Deposits (Including Portfolio Investment Accounts) Securities Others | Assets Gold SDRs Deposits (Excluding Portfolio investment Accounts) Securities (Including Portfolio Investment Accounts) Others |

3. Reclassification of Provincial Government Overdraft Accounts

Provincial Government overdraft accounts are recorded on the liabilities side of SBP Sectoral Balance sheet. Therefore, they were netted out against their deposits. Following the recommendation of MFSM these overdrafts have been reclassified against Advances to Provincial Government under Assets. Following change has been carried out:

| Description | Pre-revised Data | Revised Data |
|--------------------------------------|--|--|
| Net Claims on Provincial Governments | Net Claims on Prov. Govt. (1-2) 1.Claims on Provincial Governments Securities Other Claims 2.Liabilities to Provincial Government Deposits (Overdrafts netted out) Other | Net Claims on Prov. Govt. (1-2) 1.Claims on Provincial Governments Securities Other Claims (Overdrafts reflected here) 2.Liabilities to Provincial Government Deposits Other |

4. Reclassification of Banks' Contribution to the Paid-up Capitals of their Foreign Branches under Foreign Assets

Scheduled banks in Pakistan contribute to the paid up capital of their branches working outside Pakistan. These contributions are recorded as Foreign Direct Investment Abroad in Balance of Payments (BOP) and International Investment Position (IIP), whereas, the same were recorded as "Deposits with Non-residents excluded from Foreign Assets" in Analytical Accounts of Other Depository Corporations (ODCs). To align the monetary statistics with BoP/IIP positions, these have now been reclassified against "Shares & Other Equity – Non Residents" under Foreign Assets of ODCs. Further to reconcile the data of BoP/IIP and monetary statistics, banks have also been advised to incorporate the Reinvested Earnings while reporting source data for compilation of monetary statistics. The changes in data are reflected in the table below.

| Description | Pre-revised Data | Revised Data |
|--------------------|--|--|
| Net Foreign Assets | Net Foreign Assets Foreign Assets Cash in FCY Deposits Securities Loans Financial Derivatives ----- Others | Assets Foreign Assets Cash in FCY Deposits Securities Loans Financial Derivatives Shares & Other Equity Others |
| Other Items (Net) | Other Items (Including banks contribution to the paid up capital of their foreign branches) | Other Items (Excluding banks contribution to the paid up capital of their foreign branches) |

5. Exclusion of Long Term Securities from Broad Money Liabilities

Other Depository Corporation in Pakistan issue short term and long term liabilities in the form of deposits and securities which, if held by sectors other than Government, ODCs and Non Residents, may be classified under broad money liabilities subject to their maturity. Previously all short term and long term liabilities issued by

ODCs in the form of deposits and securities, held by sectors other than Government, ODCs and Non Residents were classified under broad money liabilities. To follow the recommendations of MFSM, Long Term Securities have been excluded from broad money liabilities and are shown under Securities Excluded from Broad Money Liabilities. The following table shows the changes in the data.

| Description | Pre-revised Data | Revised Data |
|--|--|---|
| Broad Money Liabilities | Broad Money Liabilities Deposits Securities Included in Broad Money (short term and long term) | Broad Money Liabilities Deposits Securities Included in Broad Money (short term only) |
| Securities Excluded from Broad Money Liabilities | Securities Excluded from Broad Money Liabilities (held by Government, ODCs, and Non Residents) | Securities Excluded from Broad Money (held by Government, ODCs, and Non Residents and Long Term Securities) |

6. Reclassification of Investments in Claims on Government and Claims on Other Sectors

(a). While checking the source data of monetary statistics i.e., Sectoral Balance sheet for the month of June 2008, it was observed that there is a huge decrease in “Investment in Securities and Shares of Other Nonfinancial Corporations Sector” when compared with the data of May 2009. On query one of the ODCs confirmed that they have reclassified their Investments properly according to the sector of economy. Consequently the ODC was asked to revise the data from June 2008 onwards for proper calculation of Claims on Other Sectors.

(b). While checking the data of interbank positions, it was observed that one ODC is treating repurchased agreement lending/borrowing as an outright sale/purchase of Government Securities rather than treating the same as Collateralized Loans/Borrowings in Sectoral Balance sheet. Therefore, the ODC was asked to reclassify all such transaction in Sectoral Balance sheet. The changes in the data are shown in table below.

| Description | Pre-revised Data | Revised Data |
|-----------------------------|---|---|
| Claims on Government Sector | Claims on Government Securities (including securities held under repo/reverse repo transactions) Other Claims | Claims on Government Securities (excluding securities held under repo/reverse repo transactions) Other Claims Advances/Borrowings under Reverse Repo (+) |
| Claims on Other Sectors | Claims on Other Sectors Other Financial Corporations Public Non Financial Corporations Other Non Financial Corporations (all investments other than Government reported here by one ODC) Other Resident Sectors | Claims on Other Sectors Other Financial Corporations Public Non Financial Corporations Other Non Financial Corporations (only investments of other nonfinancial corporations reported under this code) Other Resident Sectors |

7. Reconciliation of Foreign Currency (FCY) Deposits of Residents and Non Residents Reported to Monetary & BoP statistics by Banks

To maintain the consistency of Monetary and BoP statistics, an exercise was carried out to reconcile the residents and non resident’s foreign currency deposits reported to monetary and BoP statistics by banks. Based on the outcome of reconciliations, the banks misreporting data to monetary statistics were advised to revise the data from June 2008 to May 2009. Similarly BoP staff has also advised banks to report correct data and reconcile the same at their end before sending the same to SBP.

8. Improvement in Interbank Positions

While checking the data of interbank positions, it was observed that ODCs do not have complete understanding about the classification of instruments and terminologies of Sectoral Balance sheet. Therefore, they had reported several accounts as interbank deposits in the Sectoral balance sheet. Consequently the ODCs were asked to reclassify these accounts properly from June 2008 to may 2009. This has not only improved the data on interbank positions but has also rectified the data on broad money liabilities. The changes in monetary statistics due to reclassification of these accounts are shown in table below.

| Description | Pre-revised Data | Revised Data |
|-------------------------|--|---|
| Other Items (Net) | Other items including deposits of sectors other than banks | Other items excluding deposits of sectors other than banks |
| Broad Money Liabilities | Broad Money Liabilities | Broad Money Liabilities including deposits reported under other items |

9. Recording of Financial Derivatives

As per MFSM recommendation, the sector wise holding gains and losses on financial derivatives (Forwards, Currency Swaps etc) should be recorded separately on the Sectoral balance sheet as per their nature of business. While checking the data of Sectoral Balance sheet and counseling with representatives of ODCs, it was observed that reporting staff of ODCs is not able to understand the idea of reporting sector wise financial derivatives as only total gains or losses appear on their conventional balance sheet. Consequently ODCs were advised to report financial derivatives according to the classification and sectorization of MFSM.