

Money and Credit

The primary objective of monetary policy is to control the money supply, contain inflation, stabilize the exchange rate, and maintain the equilibrium in balance of payments. Monetary policy has a key role in the macroeconomic stability of a country.

The global economic activity is still fragile on the back of slow and subdued economic growth in emerging and developing economies. However, advanced economies have witnessed a modest recovery. Over the year 2016, the global economic outlook has deteriorated in the wake of growing risks from the slowdown and rebalancing of economic activity in China away from investment and manufacturing towards consumption and services, a decline in oil and commodity prices and a gradual tightening of monetary policy in the United States. As a result, risks to global financial stability have increased. Keeping in view these developments and risks, the World Economic Outlook (WEO) in April 2016 has revised down the global growth projection to 3.2 percent for 2016 from 3.4 percent, and for 2017 to 3.5 percent against 3.6 percent earlier estimated in January 2016.

While emerging economies are facing much slower economic growth, Pakistan's economy did reasonably well. The economy after witnessing subdued growth since FY2009 improved to 4.04 percent in FY2015 and 4.71 in FY2016, an eight years high level underpinned by the robust growth in Industrial and services sectors.

The external sector has been more stable on the back of continued growth in remittances, IFIs inflows, stable exchange rate, high foreign exchange reserves, stable outlook of inflation and balance of payments even allowed policymakers to implement pro-growth strategies. SBP cut its policy rate significantly which is the lowest in 44 year. The flows of Credit to Private Sector (CPS)

has seen expansion of Rs.311.7 billion during Jul-06th May, FY2016 against Rs.171.2 billion in the same period of last year. It witnessed expansion of 82.0 percent during the period under review compared to the contraction of 41.5 percent during same period last year. This expansion is helping manufacturing sector which in turn will help in improving the industrial sector. A welcome development is the gradual rise in net credit disbursement for fixed investment. It appeared that many firms are expanding their operations by availing fixed investment loan.

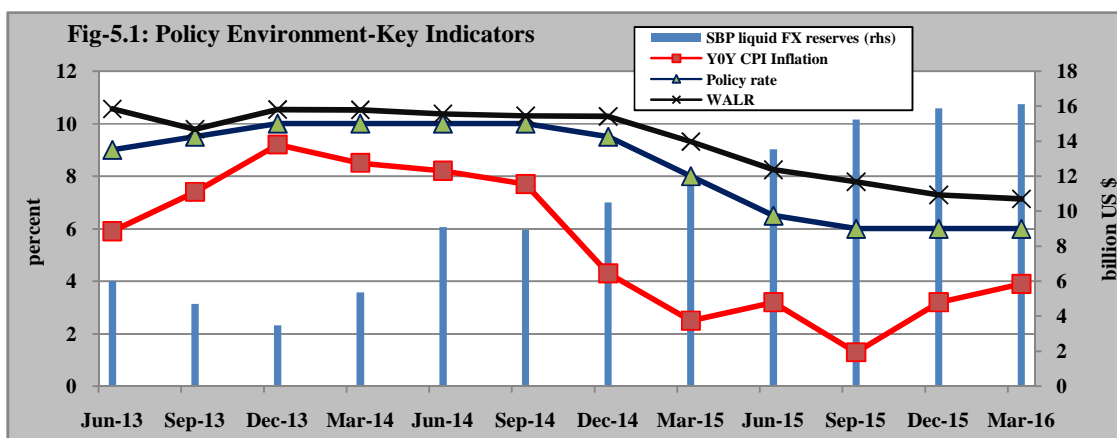
The overall performance of the banking sector during the last couple of years has been quite impressive. The momentum continued in the current fiscal year 2016 with asset base reaching to Rs.14.3 trillion by end March, 2016 (Rs.12.1 trillion as of end March, 2015). Similarly, asset quality has also improved and gross NPLs to loans ratio reduced from 12.3 percent in CY14 to 11.4 percent in CY15, while it stood at 11.7 percent as of end March, 2016 against 12.8 percent in the comparable period last year. Whereas, Capital Adequacy Ratio (CAR) increased to 16.3 percent by end March, 2016 that is much strong and higher than the minimum required level of 10.25 percent.

Monetary Policy Stance

Despite several challenges during the initial months of FY 2015, the macroeconomic indicator showed marked improvement and this trend is continued during current FY2016. The main driving force was favorable macroeconomic environment, which included uptick in real GDP growth, a sharp decline in headline CPI inflation, stability in external sector including all time high level of the country's FX reserves and contained fiscal deficit due to remarkable revenue mobilization alongwith government efforts to substitute its borrowing from SBP to commercial banks and successful completion of eleven

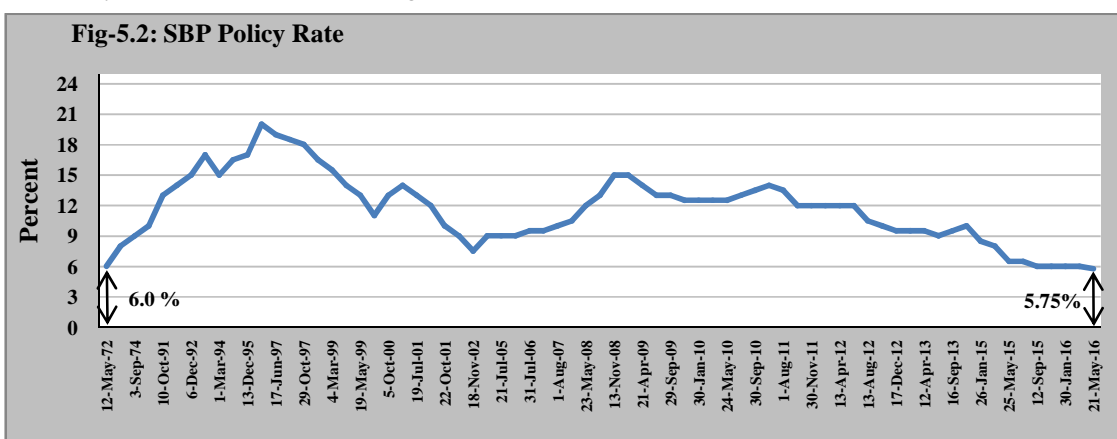
reviews under Extended Fund Facility (EFF). International rating agencies have also upgraded

the Pakistan’s credit ratings by observing these macroeconomic developments.



On account of these developments, State Bank of Pakistan (SBP) changed its monetary policy stance from a conservative to accommodative and cut the policy rate by a cumulative 350 basis points to 6.5 percent in its monetary policy meetings held between November 2014 to May 2015 and further decreased the policy rate to a historically low level of 6 percent in September 2015. Policy rate remained unchanged at 6.0

percent in subsequent monetary policy meetings held in November 2015, January and April, 2016. The realization of monetary easing witnessed in pickup of economic activities supported SBP’s decision to reduce the policy rate by 25 bps from 6.0 percent to 5.75 percent w.e.f. 21st May, 2016 which is the lowest rate in last 44 years reflecting improved macro-economic conditions towards the end of FY2016.



Recent Monetary and Credit Developments

Broad Money (M2) increased to Rs.781.8 billion (6.93 percent) during July-06th May, FY2016 against the expansion of Rs.690.0 (6.92 percent) in the same period last year. Net Domestic Assets (NDA) of the banking system contributed 6.0 percent in M2 expansion of 6.93 percent while the contribution of Net Foreign Assets (NFA) of the banking system decreased in the cumulative growth of M2 during the period under review.

w.e.f	Policy rate
Jun-13	9.0
Sep-13	9.5
Nov-13	10.0
Nov-14	9.5
Jan-15	8.5
Mar-15	8.0
May-15	6.5
Jul-15	6.5
Sep-15	6.0
Nov-15	6.0
Jan-16	6.0
Apr-16	6.0
May-16	5.75

Source: State Bank of Pakistan

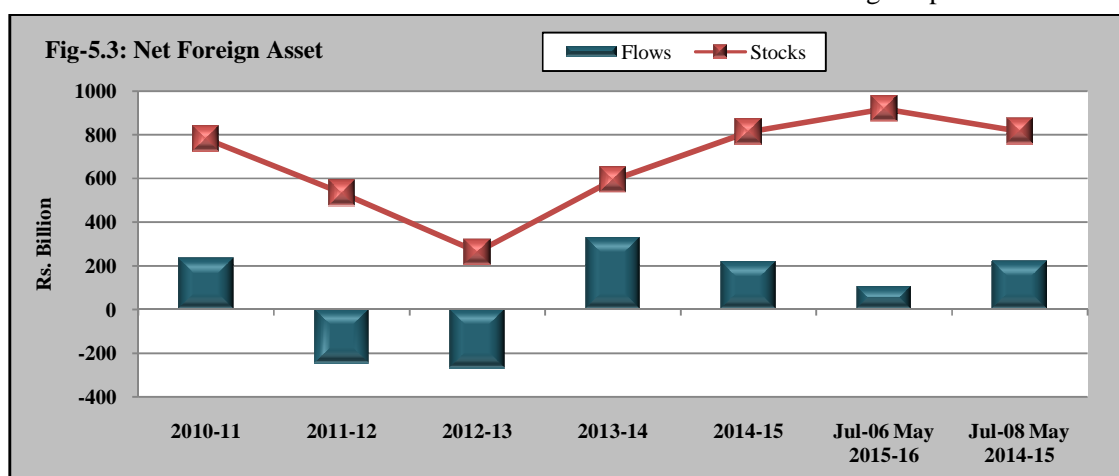
Table 5.2: Profile of Monetary Indicators		(Rs. Billion)	
	Jul-06 May 2015-16	Jul-08 May 2014-15	
1.Net government sector Borrowing(a+b+c)	567.5	539.4	
a .Borrowing for budgetary support	643.0	560.8	
b.Commodity operations	-75.0	-20.8	
c.Others	-0.52	-0.70	
2.Credit to Non-government Sector (d+e+f+g)	362.1	233.3	
d.Credit to Private Sector	311.7	171.2	
e.Credit to Public Sector Enterprises (PSEs)	49.9	62.1	
f. PSEs Special Account-Debt repayment with SBP	-0.2	0.0	
g.Other Financial Institutions(SBP credit to NBFIs)	0.6	0.0	
3.Other Items(net)	-253.0	-305.1	
4.Net Domestic assets (NDA)	676.6 (6.46 %)	467.6 (4.99 %)	
5.Net Foreign Assets (NFA)	105.2	222.3	
6.Monetary Assets(M2)	781.8 (6.93 %)	689.9 (6.92%)	

Source: Weekly Profile of Broad Money, State Bank of Pakistan

In contrast, reserve money accelerated to Rs.697.6 billion and grew by 22.20 percent during July-06th May FY2016, as compared to 11.52 percent in corresponding period of last year.

Within Broad Money, NFA of the banking system during Jul-06th May, FY2016 witnessed expansion

of Rs.105.2 billion against the net expansion of Rs.222.3 billion during the corresponding period of FY2015. The continuity in the official inflows increased the SBP's NFA by Rs.126.4 billion during Jul-06th May, FY2016. On the other hand, NFA of the scheduled banks witnessed a decline of Rs.21.2 billion during the period under review.



The NDA of the banking system showed an increase of Rs.676.6 billion during Jul-06th May, FY 2016 against an increase of Rs.467.6 billion in the same period of last year. Higher increase was on the back of significant rise in Private Sector Credit (PSC) which was partially offset by lower credit to Public Sector Enterprises (PSEs) and higher retirement against commodity financing compared to last year. There is a considerable contribution of NDA in the expansion of M2 during the period under review.

Credit to Public Sector Enterprises (PSEs) increased by Rs.49.9 billion during July-06th May, FY 2016 against Rs.62.1 billion in the corresponding period of FY 2015.

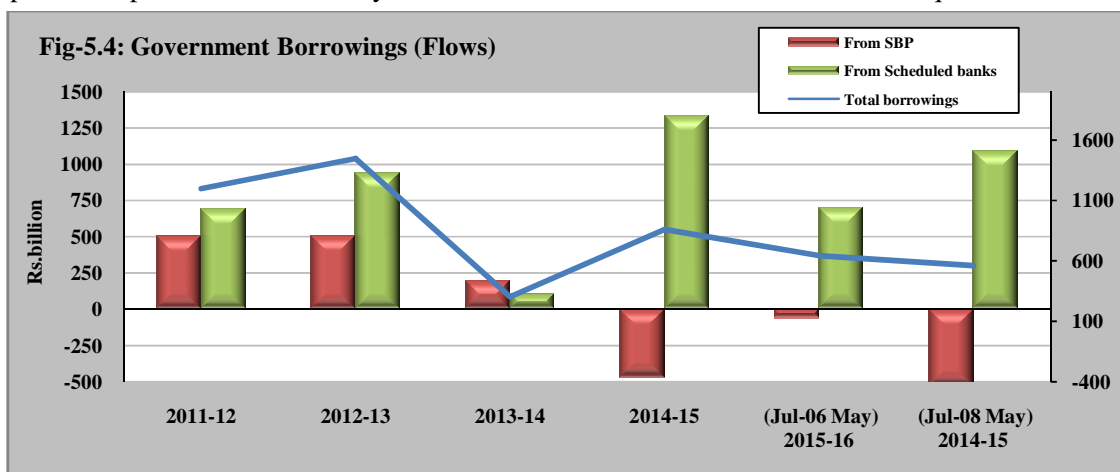
Government Bank Borrowing

Government sector borrowing (net) reached at Rs.567.5 billion during Jul-06th May, FY 2016 as compared to an increase of Rs.539.4 billion in the same period of FY 2015.

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Net budgetary borrowing from banking system remained at Rs.643.0 billion during Jul-06 May FY 2016 as compared to Rs.560.8 billion in the same period last year. Government borrowing from scheduled banks remained lower and stood at Rs.702.9 billion against Rs.1,093.2 billion in comparable period of last year. While,

government retired Rs.59.8 billion to the State Bank of Pakistan during the period Jul-06 May, FY 2016 against the retirement of Rs.532.3 billion in the same period of FY 2015. However on positive note, the government successfully met the quarterly limit of net zero budgetary borrowing from SBP at the end of third quarter March, 2016.



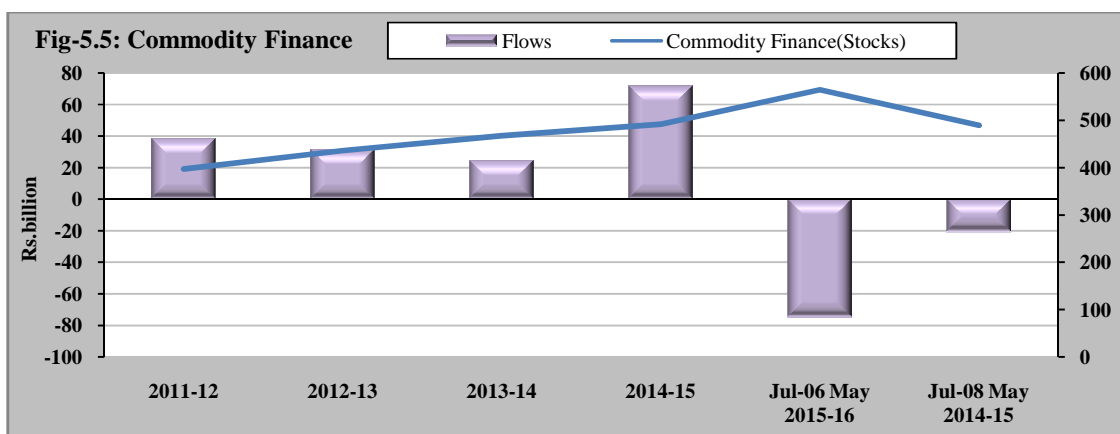
Commodity Finance

During Jul-06th May, FY 2016 loans for commodity finance witnessed a net retirement of Rs.75.0 billion almost four times higher than the net retirement of Rs. 20.8 billion in the corresponding period of last year. Despite the heavy retirement for commodity finance, the outstanding stock of commodity financing reached to Rs.489.5 billion against Rs. 471.7 billion during the period under review.

In FY 2015, the outstanding stock of commodity financing has increased significantly to Rs.564.5 billion from Rs.492.4 billion in the same period of FY 2014, thus posting a growth 14.6 in FY2015

against the growth of 5.3 percent in FY 2014.

The commodity wise breakup reveals that during July- 31st March FY2016, loans for wheat finance recorded a net retirement of Rs. 113.4 billion against the retirement of Rs. 47.6 billion during the same period of FY 2015. Higher amount of retirement during FY 2016 was due to aggressive offloading of wheat stocks. On the other hand, loans for fertilizer finance amounted to Rs.12.2 billion during July- 31st March FY 2016 against the retirement of Rs. 8.9 billion in the comparable period last year. While, borrowing for sugar finance reached at Rs. 0.45 billion during Jul- 31st March, FY 2016 against the retirement of Rs. 0.81 billion in the comparable period last year.

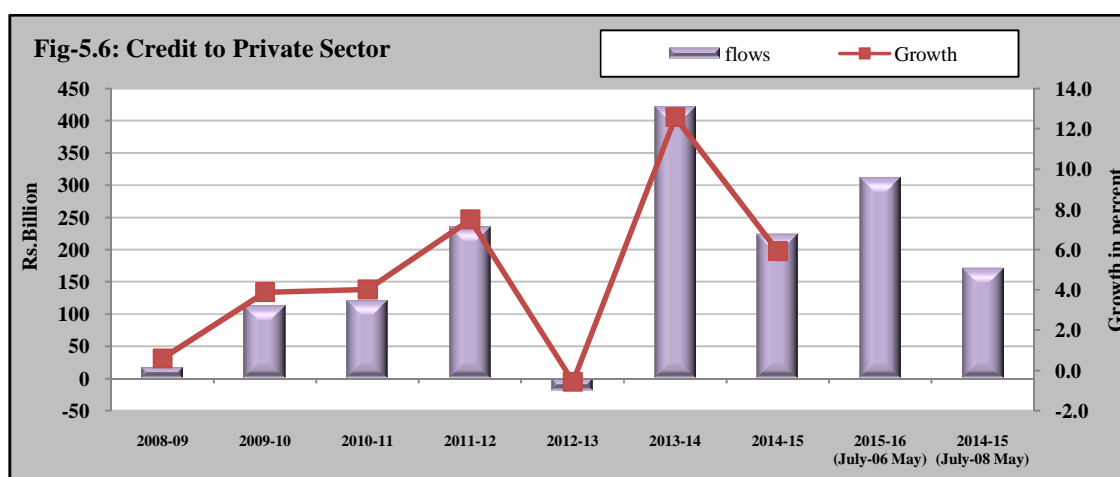


Credit to Private Sector¹

FY 2015 has registered a net expansion of Rs.223.8 billion in credit to private sector as compared with Rs.421.8 billion last year. In contrast, current data demonstrates that credit to private sector increased to Rs. 311.7 billion compared to Rs.171.2 billion, 7.8 percent higher than 4.5 percent in the same period of FY 2015. However, on year on year basis as on 06 May, FY 2016 credit to private sector posted a growth of 9.2 percent against 8.2 percent in the same period of last year.

The considerable improvement and pickup in

credit to private sector during FY 2016 primarily attributed to lower cost of borrowing that has improved the financial condition of major corporate sectors. Additionally, better business sentiments, comparatively lower government budgetary borrowing and modest risk premium for banks has also encouraged large number of sectors (including textiles, fertilizer, retail trade, construction, and electricity). These sectors have availed higher credit in FY 2016 not only for working capital but also for fixed investment. A sustained growth in credit for fixed investment bodes well for overall investment rate in the country in future.



Sectoral Analysis

Sectors	End June Stocks		March-15	March-16	Jul-Mar (Flows)		Growth Rates	
	Jun-14	Jun-15			2014-15	2015-16	2014-15	2015-16
Overall Credit (1 to 5)	3,376.8	3,651.1	3,608.4	3,914.8	231.6	263.7	6.9	7.2
1. Loans to Private Sector Business	2,827.7	3,015.5	3,015.3	3,264.5	187.6	249.0	6.6	8.3
A. Agriculture	252.7	285.4	267.0	284.0	14.3	-1.4	5.7	-0.5
B. Mining and Quarrying	18.9	20.8	22.9	19.5	4.0	-1.3	21.0	-6.3
C. Manufacturing	1,636.0	1,704.4	1,740.6	1,910.8	104.6	206.4	6.4	12.1
Textiles	558.1	549.7	587.6	632.2	29.5	82.5	5.3	15.0
D. Electricity, gas and water supply	278.6	267.2	275.5	307.0	-3.2	39.8	-1.1	14.9
E. Construction	52.3	66.0	63.3	92.7	11.0	26.7	21.1	40.5
F. Commerce and Trade	223.3	237.0	234.4	248.3	11.1	11.3	5.0	4.8
G. Transport, storage and communications	117.1	146.6	126.9	167.5	9.9	20.9	8.4	14.3
I. Other private business n.e.c	98.8	109.5	102.0	40.7	3.2	-68.9	3.3	-62.9
2. Trust Funds and NPOs	8.2	14.0	9.0	14.0	0.8	0.1	9.6	0.6
3. Personal	338.1	383.1	362.9	401.3	24.8	18.2	7.3	4.8
4. Others	15.3	15.2	13.5	5.4	-1.8	-9.8	-12.1	-64.5
5. Investment in Security & Shares of Private Sector	187.5	223.4	207.8	229.5	20.3	6.1	10.8	2.8

Source: State Bank of Pakistan

¹ Islamic Financing, Advances (against Murabaha etc), Inventories and other related Items previously reported under Other Assets have been reclassified as credit to private sector.

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Overall credit grew by 7.2 percent during Jul-Mar, FY2016 as compared to 6.9 percent during the comparable period of last year FY2015. Sector wise growth demonstrates that loans to private sector business witnessed a significant growth of 8.3 percent during Jul-Mar, FY2016 against 6.6 percent in same period of last year.

In flow terms, credit expansion to private business reached to Rs.249.0 billion during July-March, FY2016 as compared to Rs.187.6 billion in the corresponding period of FY 2015. The expansion in credit to private sector is broad based during FY 2016 and mainly came from construction

(40.5 percent), followed by Electricity, Gas and Water supply (14.9 percent), Transport, Storage and Communication (14.3 percent), Manufacturing (12.1 percent) of which Textile by (15.0 percent). The expansion in private sectors loans during Jul-Mar, FY2016 primarily in Manufacturing sector that received share 82.9 percent of private sector loan (Rs. 206.4 billion), followed by textile (33.1 percent or Rs. 82.5 billion), Electricity, Gas and Water supply (16.0 percent or Rs.39.8 billion), construction (10.7 percent or Rs.26.7 billion) and transport, storage and communication (8.4 percent or Rs. 20.9 billion).

Table 5.4: Loans to Private Sector Businesses [Jul-Mar (Flows)] **Rs. Billion**

	Total Credit		Working Capital		Fixed investment		Trade financing	
	FY15	FY16	FY15	FY16	FY15	FY16	FY15	FY16
Total	185.1	319.8	50.6	119.2	84.4	150.1	50.2	50.4
Agriculture	14.3	-1.4	6.8	-7.4	8.2	6.1	-0.7	-0.1
Manufacturing	104.6	206.4	26.7	116.5	44.0	34.1	34.0	55.7
Food & beverages	56.8	68.7	24.2	42.9	17.2	11.9	15.4	13.9
Textiles	29.5	82.5	15.9	58.0	1.8	9.3	11.8	15.1
Coke & petroleum	18.0	10.4	10.7	1.9	9.1	-5.9	-1.7	14.4
Chemicals	1.9	33.1	-8.1	22.1	11.4	7.5	-1.4	3.5
Electricity	-3.2	39.8	1.0	13.0	-6.0	31.9	1.9	-5.1
Construction	11.0	26.7	-2.0	-2.6	11.3	28.1	1.8	1.3
Commerce and trade	11.1	11.3	-0.4	4.0	7.8	7.1	3.7	0.1
Transport & comm.	9.9	20.9	7.1	-9.2	2.6	30.2	0.2	0.0
Real estate	17.8	7.1	6.3	3.2	11.7	1.0	-0.2	3.0
Others	-1.8	-9.8	2.4	-1.9	-1.3	3.3	-0.4	0.5

Source: State Bank of Pakistan

The credit to private sector has witnessed significant growth by type of finance during Jul-Mar, FY2016 for working capital, fixed investment and trade financing categories as compared to same period of last year. The gradual increase in credit disbursement for all categories mainly used by major sectors of the economy and particularly notable in production, transmission and distribution of electricity; road transport; construction of roads; telecommunications; sugar; manufacturers of electricity distribution machinery; cement; fertilizer; and pharmaceutical sectors. Credit for fixed investment reached to Rs.150.1 billion (increase by 78.0 percent) during

Jul-Mar, FY2016 against Rs.84.4 billion in comparable period of FY2015, working capital credit amounted to Rs.119.2 billion (grew by 135.8 percent) during the Jul-Mar, of FY2016 as compared to Rs.50.6 billion in same period of last year, similarly trade financing increased to Rs.50.4 billion (grew by marginally 0.44 percent) in Jul-Mar, FY2016 from Rs.50.2 billion in the corresponding period of last year FY2015.

A continuation of credit demand requires favourable monetary conditions and improvement in performance of manufacturing and services sectors. Realization of this could augur well for growth in private sector going forward².

² 2nd Quarterly Report FY16, SBP

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Description	July-March (Flows)		Growth(%)	
	2014-15	2015-16	2014-15	2015-16
Consumer Financing	16.9	17.3	6.7	6.1
1) For house building	0.1	5.1	0.2	12.8
2) For transport i.e. purchase of car	13.7	17.3	21.3	20.4
3) Credit cards	-0.5	0.9	-2.0	3.6
4) Consumers durable	-0.1	0.4	-14.4	110.8
5) Personal loans	4.9	-4.2	4.2	-3.3
6) Other	-1.1	-2.3	-13.8	-27.3

Source: State Bank of Pakistan

Consumer financing recorded a growth of 6.1 percent (Rs. 17.3 billion) during Jul-Mar, FY2016 as compared to 6.7 percent (Rs.16.9 billion) during the first nine months of last year. Within consumer financing, consumer durable witnessed a significant growth of over 110.0 percent during Jul-Mar, FY2016 against the negative growth of 14.4 percent in same period of last year. However, the house building loans increased by Rs.5.1 billion and recorded a growth of 12.8 percent during Jul-Mar, FY2016 compared to 0.1 billion in last year, which recorded a growth of 0.2 percent. Noticeable improvement in house building financing was on account of

accommodative monetary policy and low policy rate, whereas, auto financing also increased by Rs.17.3 billion (20.4 percent) during first nine months of FY 2016 against Rs.13.7 billion (21.3 percent) in the same period of last year. Positive growth since fiscal year 2009-10 in auto financing is due to amendment in regulations for car financing, which allowed banks to finance cars up to 9 years old and high demand for the new model car which increased the sales of local car assemblers. Conversely, personal loan showed net retirement of Rs.4.2 billion during the period under review as compared to expansion of Rs.4.9 billion in comparable period of last year.

Name Of Banks	Target		Flows (July-March)	
	2014-15	2015-16	2014-15	2015-16
5 Major Comm. Banks	252.5	305.7	167.4	198.8
ZTBL	90.0	102.0	56.2	55.3
15 Domestic Private Banks	115.1	131.8	72.1	84.8
P.P.C.B.L	11.5	12.5	5.8	6.1
9 Microfinance Banks	28.2	40.1	20.7	34.5
5 Islamic Banks	2.8	7.9	3.8	6.0
Total	500.0	600.0	326.0	385.5

Source: State Bank of Pakistan

A positive development is witnessed in agriculture financing. The actual disbursement to this sector was Rs.515.88 billion against the target of Rs.500 billion during FY2015. For FY2016, the target is set at Rs.600.0 billion. During July-March, FY2016, overall credit disbursement recorded at Rs. 385.5 billion as compared to Rs. 326.0 billion in the comparable period of last year, thus posting a growth of 18.25 percent. Whereas, agriculture

credit disbursement accounted 64.25 percent of the annual indicative target during three quarters compared to 65.2 percent during the same period of last year. Five major commercial banks disbursed loans amounting to Rs. 198.8 billion or 65.03 percent of its annual target which is 18.75 percent higher from Rs. 167.4 billion during the same period of last fiscal year.

Box:I- SBP initiatives for financial inclusion in Agriculture Financing:

- ▶ SBP enhanced the scope of Crop Loan Insurance Scheme (CLIS) from 12.5 acres to 25 acres. The CLIS, introduced in 2008, aims at mitigating the default risk of small farmers, in case of natural calamities, and provide repayment assurance to banks. Under the scheme, which is mandatory for small farmers, the government is bearing the cost of premium on account of small farmers' upto 2% per crop per season;
- ▶ To address the inherent risk of livestock financing, SBP, in collaboration with stakeholders, has launched livestock insurance scheme for borrowers in FY2013. The scheme has been providing access to finance the livestock & dairy sector as well as mitigating risk of loss of livestock due to disease, natural calamities & accident;
- ▶ To facilitate flow of credit to small and marginalized farmers, SBP developed a credit guarantee scheme, funded by the federal government, for small & marginalized farmers in January 2016. The objective of the guarantee scheme is to encourage financial institutions to lend to small farmers who do not have adequate collateral (acceptable to bank) in order to meet their working capital requirements;
- ▶ To develop commodities' physical trade and marketing system, SBP issued draft Framework for Warehouse Receipt Financing. The framework facilitates banks in development of specialized products for providing financing to farmers, traders, processors, and other players in the value chain.

Source: State Bank of Pakistan

Monetary Assets

Monetary assets (M2) include currency in circulation, demand deposits, time deposits and resident's foreign currency. Money supply (M2) posted a growth of 6.93 percent during 1st July – 06th May, FY2016 as compared to the growth of 6.92 percent in the corresponding period of last year. While Y-o-Y basis it stood at 13.2 percent as on 06th May, FY 2016. Higher growth in M2 is largely contributed by currency in circulation.

Currency in Circulation (CIC)

CIC growth continued to accelerated during Jul-06th May FY 2016 and increased by Rs.562.2 billion (22.0 percent) compared with an increase of Rs.328.9 billion (15.1 percent) of the corresponding period of last year. The currency-to-M2 ratio increased to 25.8 on 06 May, 2016 compared 23.5 on May 08, 2015. Higher currency in circulation during the period under review is associated to two Eid festivals at the end of first quarter of FY2016.

Table 5.7: Monetary Aggregates

(Rs Million)

Items	End June		July-06 May (stocks)	
	2014	2015	2014-15	2015-16
A.Currency in Circulation	2,177,873	2,554,749	2,506,779	3,116,918
<i>Deposit of which:</i>				
B. Other Deposits with SBP	11,689	13,747	14,202	19,596
C.Total Demand &Time Deposits incl.RFCDs	7,777,021	8,713,648	8,135,558	8,927,449
of which RFCDs	599,384	597,760	604,968	592,954
Monetary Assets Stock (M2) A+B+C	9,966,583	11,282,144	10,656,540	12,063,963
Memorandum Items				
Currency/Money Ratio	21.9	22.6	23.5	25.8
Other Deposits/Money ratio	0.1	0.1	0.1	0.2
Total Deposits/Money ratio	78.0	77.2	76.3	74.0
RFCD/Money ratio	6.0	5.3	5.7	4.9
Income Velocity of Money	2.7	2.6	-	-

Source: State Bank of Pakistan

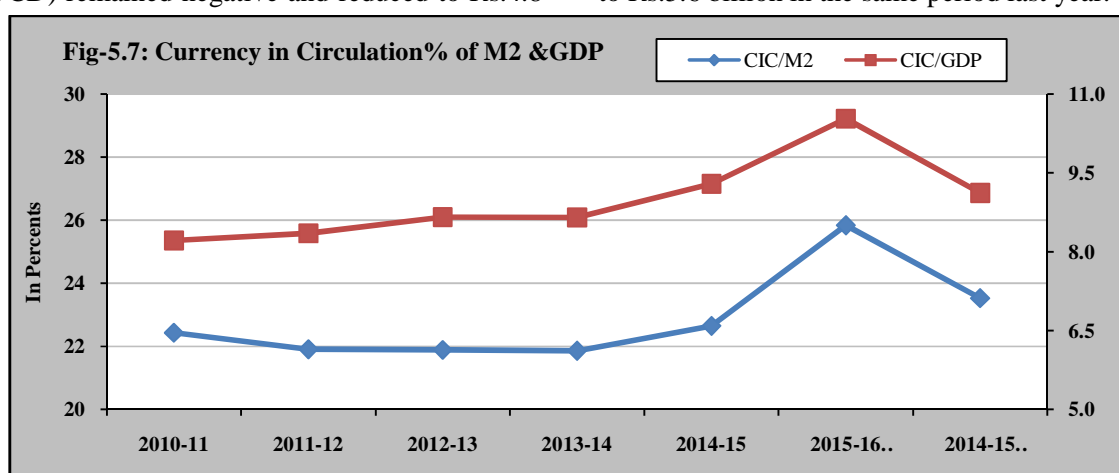
Deposits

Bank deposits increased by Rs.213.8 billion (2.5 percent) during Jul-06th May, FY2016 against the expansion of Rs.358.5 billion (4.6 percent)

recorded in the same period of last year. Resultantly, currency-to-deposit ratio increased to 34.9 on May 06, 2016 compared with 30.8 on May 08, 2015.

While Resident Foreign Currency Deposits (RFCD) remained negative and reduced to Rs.4.8

billion during July-06th May FY2016 as compared to Rs.5.6 billion in the same period last year.



Monetary Management

FY2016 has witnessed a positive trend in the level of average outstanding OMOs. As shown in Table 5.7, the level of average outstanding OMOs amounted to Rs.1,235.7 billion during FY 2016* . During first quarter of FY 2016, the level of OMOs net injections increased to Rs.1,082.9 billion to keep the overnight money market rate close to SBP target rate of 6 percent.

During the second quarter of FY 2016, interbank liquidity situation remained unchanged. Rather

comfortable situation of net injections is attributed to better fiscal position; timely receipt of foreign flows, the government reduced its budgetary borrowing from the banking system.

Table 5.8: Average Outstanding Open Market Operations³ (Billion Rupees)

Full Year	FY2014	FY2015	FY2016*
	53.9	418.6	1,235.7
Q1	-34.7	63	1,082.9
Q2	-11.8	281	1,287.6
Q3	67	683.2	1,323.8
Q4	196.9	744.1	1,456.8

*: Data for Q4-2015-16 is upto April 15, 2016.

Table 5.9: Market Treasury bills Auctions Rs Million

	July-June 2014-15			July-March					
	Offered	Accepted	W.A Rate*	Offered		Accepted		W.A.Rate*	
				2014-15	2015-16	2014-15	2015-16	2014-15	2015-16
3-Months	1,697,279	1,231,906	8.3	1,041,500	2,101,410	986,557	1,211,203	9.1	6.5
6-Months	2,157,339	1,251,489	8.3	1,250,739	1,911,162	855,834	1,188,603	8.9	6.6
12-Months	2,955,465	1,226,861	8.4	2,138,389	2,759,473	954,892	1,554,942	8.9	6.6
Total	6,810,083	3,710,256		4,430,628	6,772,045	2,797,283	3,954,748		

Source: State Bank of Pakistan

*Average of maximum and minimum rates

During the first nine months of FY2016, offered amount against T-bills stood at Rs.6,772.0 billion compared to Rs.4,430.6 billion in the comparable period last year. During the period Jul-Mar FY2016, the government accepted 39.3 percent of the total accepted amount in the form of 12

months T-bills followed by 30.6 percent in 03 months and 30.1 percent in the form of 06 months T-bills.

³Definition of data on Open Market Operations (OMOs) has been changed from cumulative injection/absorption to average outstanding OMOs.

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Market offered Rs.2,058.3 billion during July-March FY2016 against PIB auctions as compared to Rs.1,837.5 billion in the same period last year. PIBs witnessed heavy investment in 3 years which contributed 52.1 percent of total accepted amount followed by 43.2 percent in 5 years. During the second quarter of FY 2016, government accepted lower amounts compared with both targets and maturity in primary auctions.

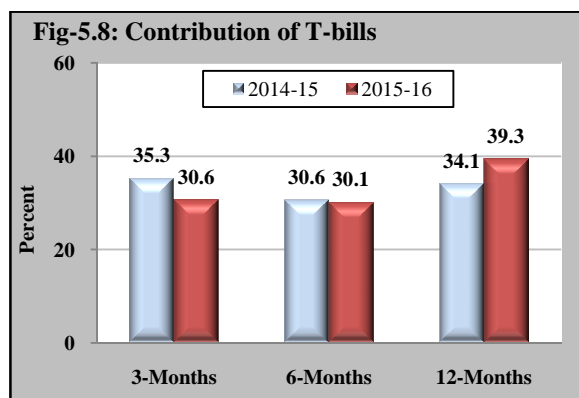
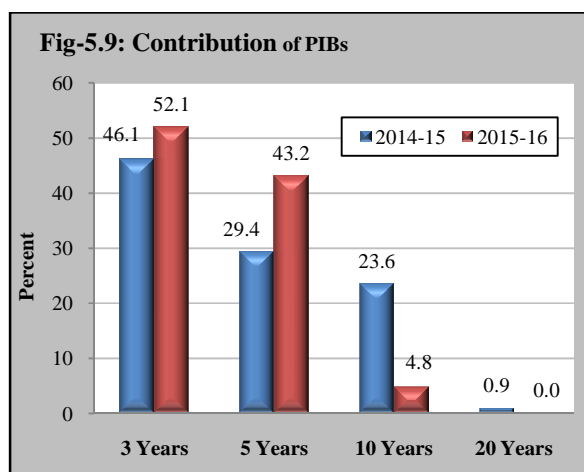


Table 5.10: Pakistan Investment Bonds Auctions Rs Million

PIBs	July-June			July-March				W.A Rate	
	Offered	Accepted	W.A Rate	Offered		Accepted		W.A Rate	
	2014-15			2014-15	2015-16	2014-15	2015-16	2014-15	2015-16
3 Years	1,104,978	495,486	10.0	936,316	1,083,071	396,809	407,615	10.4	7.2
5 Years	577,463	287,494	10.5	462,036	812,426	252,760	338,021	10.8	8.0
10 Years	483,891	223,457	11.3	430,328	162,758	202,572	37,328	11.4	8.8
15 Years	-	-	-	-	-	-	-	-	-
20 Years	8,775	8,000	12.3	8,775	-	8,000	-	12.3	-
30 Years	-	-	-	-	-	-	-	-	-
Total	2,175,107	1,014,437		1,837,455	2,058,255	860,141	782,964		

Source: State Bank of Pakistan



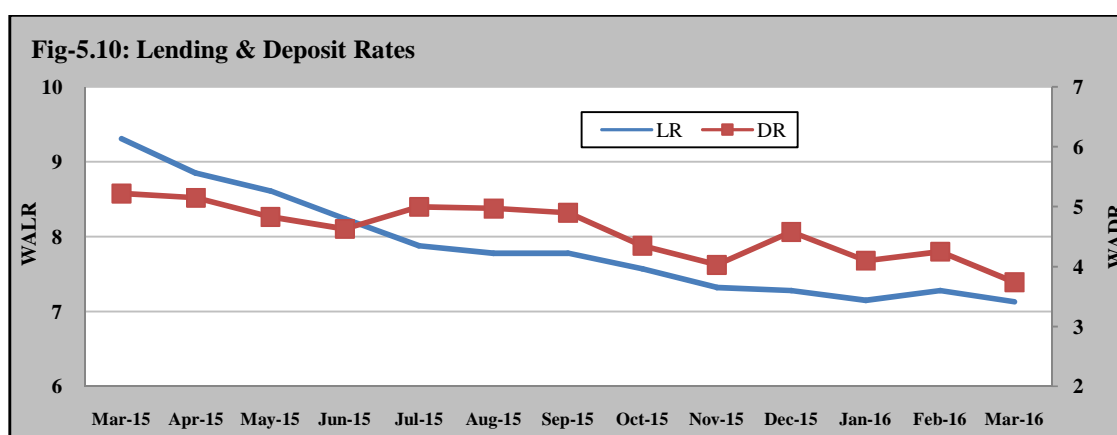
The Weighted Average Lending Rate (WALR) on gross disbursements has decreased from 9.31 percent in March, 2015 to 7.13 percent in March, 2016, which is the lowest level in a decade due to low policy rate. The average WALR shows low cost of borrowing during the first nine months of FY 2016 that increased the credit to private sector considerably during the period under review.

Likewise, Weighted Average Deposit Rate (WADR) offered on fresh deposits also reduced from 5.22 percent in March, 2015 to 3.74 percent in March, 2016. Resultantly, banking spread which is the difference between the lending and deposit rates fell to 3.39 percent in March 2016 from 4.09 percent in March 2015.

Table 5.11: Lending & Deposit Rates(W.A)

	LR	DR	Spread
Mar-15	9.31	5.22	4.09
Apr-15	8.85	5.15	3.70
May-15	8.61	4.83	3.78
Jun-15	8.24	4.63	3.61
Jul-15	7.88	5.00	2.88
Aug-15	7.78	4.97	2.81
Sep-15	7.78	4.90	2.88
Oct-15	7.57	4.35	3.22
Nov-15	7.32	4.03	3.29
Dec-15	7.28	4.58	2.70
Jan-16	7.15	4.10	3.05
Feb-16	7.28	4.25	3.03
Mar-16	7.13	3.74	3.39

Source: State Bank of Pakistan



Similarly, the average lending rate on outstanding loans also reduced to 8.53 percent in March, 2016 from 10.47 percent recorded in March, 2015. Weighted average deposit rate on outstanding deposits reduced from 4.55 percent in March, 2015 to 3.30 percent in March, 2016.

Financial Sector

The overall performance of the banking sector during the last couple of years has been quite impressive. A number of positive developments such as better energy supply and rise in manufacturing activity, improved security conditions, macroeconomic stability, rise in investor confidence, low inflation and commodity prices (particularly, oil prices) besides enabling regulatory environment have been instrumental in making banking sector grow steadily.

The momentum continued in the FY2016 with

asset base, which registered growth of 18.2 percent and reached to Rs.14.3 trillion by end March, 2016 as compared to Rs.12.1 trillion as of end March, 2015. Besides investments, credit to private sector has also started to accelerate. Advances grew with a significant rate of 8.3 percent in CY15. The growth in advances is concentrated to private sector credit which shows a decent growth of 7.9 percent during CY15 as compared to last year. Gradual increase in earning assets has translated into profits before tax of Rs.82 billion during the first quarter of CY16 (Rs. 80 billion during March, 2015). Further, the alignment of regulatory capital requirements in Pakistan with best international practices coupled with high profitability has helped in achieving strong solvency. Capital Adequacy Ratio (CAR) of 16.3 percent as of end March 2016 is much stronger and higher than the minimum required level of 10.25 percent.

Table 5.12: Highlights of the Banking Industry

	CY13*	CY14	Mar-15	CY15	Mar-16
Key Variables (Rs. billion)					
Total Assets	10,487	12,106	12,106	14,143	14,281
Investments (net)	4,313	5,310	5,954	6,881	7,421
Advances (net)	4,110	4,447	4,336	4,816	4,782
Deposits	8,311	9,230	9,236	10,389	10,323
Equity	943	1,207	1,248	1,323	1,277
Profit Before Tax (ytd)	162	247	80	329	82
Profit After Tax (ytd)	112	163	52	199	53
Non-Performing Loans	607	605	620	605	619
Non-Performing Loans (net)	139	122	123	91	102
Key FSIs (Percent)					
NPLs to Loans (Gross)	13.3	12.3	12.8	11.4	11.7
Net NPLs to Net Loans	3.4	2.7	2.8	1.9	2.1

Pakistan Economic Survey 2015-16

Table 5.12: Highlights of the Banking Industry

	CY13*	CY14	Mar-15	CY15	Mar-16
Net NPLs to Capital	14.7	10.1	9.8	7.7	8.0
Provision to NPL	77.1	79.8	80.2	84.9	83.6
ROA (Before Tax)	1.6	2.2	2.6	2.5	2.3
Capital Adequacy Ratio (all banks)	14.9	17.1	17.4	17.3	16.3
Advances to Deposit Ratio	49.5	48.2	46.9	46.4	46.3

Source: State Bank of Pakistan

Note: Statistics of profits are on year-to-date (ytd) basis.

* Except CY13, all numbers are based on unaudited financials.

Similarly, asset quality has also improved and NPLs to loans ratio came down from 12.8 percent in March 2015 to 11.7 percent in March 2016. Also, gross NPLs ratio reduced from 12.3 percent in CY14 to 11.4 percent in CY15. Net NPLs ratio reduced from 2.8 percent to 2.1 percent in March, 2016 on year on year basis. Asset quality has also showed improvement: infection ratio has declined from 14.8 percent as of June 2013 to 11.7 percent as of March 2016.

Financial Development

A well structured financial system has a positive and significant impact on economic development and ensures the efficient utilization of financial resources, accelerates the saving and investment rate and help in poverty and inequality reduction by increasing the ability of individuals to access basic services like health and education.

Table 5.13: Financial Depth

Years	M2/GDP
2008-09	38.9
2009-10	38.9
2010-11	36.6
2011-12	38.1
2012-13	39.6
2013-14	39.6
2014-15	41.0
July-06 May	
2014-15	38.8
2015-16	40.8

Financial depth can be measured by different

proxies, but M2-to-GDP ratio is considered as most comprehensive and commonly used for capturing the overall size of the financial sector. Increasing M2/GDP ratio primarily indicates the well structured and developed financial sector.

In case of Pakistan, this ratio has witnessed positive and increasing trend since FY 2011 due to several regulatory reforms and policy initiatives adopted by SBP to ensure a sound and robust financial sector. Monetary assets which were 38.9 percent of GDP in FY 2009 increased to 41.0 percent in FY 2015. While during the period July-06th May, FY2016, M2/GDP ratio increased to 40.8 percent from 38.8 percent witnessed in the corresponding period of last year. However, the ratio is expected to increase further in future on account of ongoing financial reforms in financial sector with an aim to strengthen the financial depth. Aiming to this, SBP is working to attain its multipronged objectives including strengthening the capital adequacy framework for the banking sector, developed comprehensive AML regulations are further aligned with FATF recommendations and other international standards, designed framework for improving the External Audit function of the banks and other financial institutions, institutionalized Financial Stability Executive Committee (FSEC) within SBP to improve coordination and cooperation within the bank, financial inclusion and strengthening of financial market infrastructure etc.

Box-II: Financial Reforms

Some of the recent regulatory measures and policy reforms adopted by SBP after taking on board all stakeholders (financial institutions, regulatory bodies, Ministry of Finance, SECP etc) are highlighted below:

1. Strengthening of Legal, Regulatory and supervisory environment

- i. To strengthen the capital adequacy framework for the banking sector and to contain systemic risk, SBP

adopted Basel III standards in Pakistan in 2013. The revised capital adequacy framework, to be applicable in phased manner, prescribed more stringent criteria and rules for assessing banks' solvency and also required enhanced disclosure for the stakeholders.

- ii. SBP has been strengthening the measures to prevent the use of banking channels for money laundering and terrorist financing. The already developed comprehensive AML regulations are being further aligned with FATF recommendations and other international standards. Moreover, SBP had major contribution in drafting and finalization of the AML Law/Act and its subsequent amendments to meet international standards and to bring consistency and clarity in the enforcement provisions.
- iii. To set standards and provide framework to banks/DFIs regarding debt property swap (DPS) are used for settlement of non-performing loans (NPLs), a set of Debt Property Swap (DPS) Regulations has been issued in January 2016.
- iv. SBP has also issued guidelines, in 2015, on Interest Rate Risk (IRR) management in Banks/DFIs to ensure proper monitoring and management of IRR at Banks/DFIs by bringing in the required standardization, uniformity and automation in Banks/DFIs.
- v. Being a regulator, SBP is committed to improving the External Audit function of the banks and other financial institutions. In this regard, a framework on external audit function was issued in the year 2015 by revising the existing instruction in the light of recent developments in the field.

2. Broadening of financial net – Financial Inclusion

SBP has taken numerous steps, in its regulatory capacity, to promote financing and provision of financial services in areas such as agriculture finance, microfinance, SME financing, Housing and infrastructure finance, branchless banking etc. The objective is to have a wide and diversified canvas of financial net which could capture a large chunk of population that is partially or fully excluded from financial services. The growth trend in all these areas has been exponential during last few years.

3. Institutionalizing Financial Stability Framework at SBP

The global financial crisis (GFC) of 2007-08 highlighted that micro-prudential surveillance is not sufficient for ensuring financial stability of the system. Hence, the broader concept of financial stability emerged which encompasses both micro and macro prudential supervision.

Taking cue from international developments, SBP has recently designed and implemented a more focused Institutional Framework of financial stability in Pakistan. Under the proposed framework, a Financial Stability Executive Committee (FSEC) has been constituted within SBP to improve coordination and cooperation within the bank. The Committee serves as a forum for discussion on stability issues facing the financial system, taking decisions thereof for ensuring and enhancing the stability, and facilitating enhanced cooperation and coordination among various departments of SBP for managing the financial stability issues. An independent Financial Stability Department (FSD) has also been established in SBP in December 2015, with the objective of effectively carrying out financial stability related tasks and bringing issues to the notice of FSEC.

4. Financial Market Infrastructure

SBP has consistently supported use of technological advancements in improvising service delivery by the banks and introducing innovative products. SBP's focus and efforts resulted in significant infrastructure, standardization and regulatory development in the Payment Systems arena during the last decade. These efforts have also led to digitization of payments for government, businesses and individuals which will not only help in smooth functioning of the real economy but also in maintaining financial stability and promoting economic growth.

Source: State Bank of Pakistan

Islamic Banking

Islamic Banking segment is growing at an exceptional pace. SBP's 5 year strategic plan (2014-18) for Islamic Banking envisions 15 percent market share for this growing segment of banking at the end of 2018. To promote Islamic Banking in the country, SBP has been playing its

role through provisioning of necessary legal, regulatory, and supervisory infrastructure and awareness & capacity building initiatives.

The Islamic Banking Industry (IBI) of Pakistan posted a significant growth during the past few years with both assets and deposits contributing in growth. During 2015, asset base of (IBI) stood at

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Rs.1.61 trillion compared to Rs.1.3 trillion in 2014, hence registered a growth of 27.87 percent. Whereas, deposits of the (IBI) reached to Rs.1.4 trillion in 2015 as compared to Rs.1.1 trillion during 2014, thus posted a growth of 28.5 percent. Consequently, share of Islamic Banking in terms

of asset in overall banking system increased from 6.7 percent in CY10 to 11.4 percent in CY15. While deposits share of Islamic Banking rose from 7.2 percent in CY10 to 13.2 percent in CY15.

	CY10	CY11	CY12	CY13	CY14	CY15
Assets of the Islamic banks	477.0	641.0	837.0	1,014.0	1,259.0	1,610
Deposits of the Islamic Banks	390.1	521.0	706	868.0	1,070.0	1,375
Share in Banks Assets (Percent)	6.7	7.8	8.6	9.6	10.4	11.4
Share in Bank Deposits (Percent)	7.2	8.4	9.7	10.4	11.6	13.2

Source: State Bank of Pakistan

Net investment of IBI reached to Rs.431.9 billion by end December 2015 from Rs.392.4 billion by end September, 2015, thus posted a growth of 10.1 percent. The growth in investments was mainly contributed by investment in federal government securities as it grew by 16.7 percent during the quarter under review on account of issuance of Government of Pakistan (GoP) Ijara Sukuk of Rs 117.7 billion in December 2015. Other components of investments like fully paid up ordinary shares and Bonds/PTCs/Sukuk certificates also reflected a quarterly growth of 6.2 percent and 2.9 percent respectively, during the quarter under review.

Financing and related assets (net) of IBI witnessed a growth of 21.1 percent during the quarter October to December 2015 and reached to Rs. 645.3 billion. Both Islamic Banks (IBs) and

Islamic Banks Branches (IBBs) of conventional Banks recorded growth in financing (net) by 26 percent and 11.3 percent, respectively.

Profit after tax (PAT) of IBI was recorded at Rs 12.3 billion by the end December 2015 compared to Rs 12.7 billion in the same quarter last year. During the fourth quarter of CY15, both Return on Equity (ROE) and Return on Assets (ROA) improved by 3.5 percent and 0.3 percent respectively, compared to the previous quarter⁴.

All mode of financing except Murabaha and Ijara registered an increasing growth trend during CY15. Despite 56.2 percent collective contribution by Murabaha and Diminishing Musharaka in overall financing of IBI, percent share of both in overall financing declined during CY15 due to relatively higher growth in financing modes like Musharaka, Salam and Istisna.

Mode of Financing	CY10	CY11	CY12	CY13	CY14	CY15
Murabaha	44.9	43.8	39.7	40.6	30.1	24.5
Ijara	12.7	10.4	9.2	7.7	7.7	6.6
Musharaka	2.9	2.4	0.8	6.7	11.0	14.0
Mudaraba	0.2	0.1	0.2	0.2	0.1	0.0
Diminishing Musharaka (DM)	29.5	32	35.7	30.8	32.6	31.7
Salam	1.4	2.4	3	4	4.5	5.3
Istisna	5.8	4.4	7.2	5.6	8.3	8.6
Others	2.6	4.4	4.3	4.4	5.6	9.2

Source: State Bank of Pakistan

Microfinance

The State Bank of Pakistan (SBP) continues to promote the expansion of financial services outreach through alternative delivery channels. SBP is encouraging microfinance banks (MFBs) to increase access and usage of financial services especially by financially under privileged

segments located in the rural and remote areas. Fast paced uptake of mobile financial services by MFBs as alternate means of service delivery has offered convenience to their financially under privileged retail customers.

⁴Islamic Banking Bulletin, December 2015

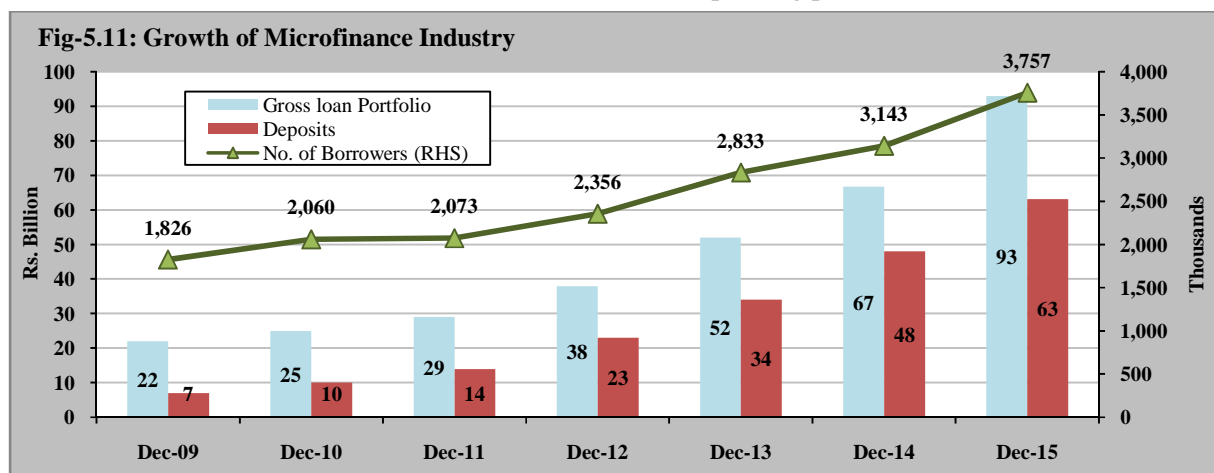
At the close of December, 2015 ten deposit taking microfinance bank (MFBs) were involved in providing microfinance services.

At the close of quarter ended December, 2015 around 48 institutions were involved in providing microfinance services which included ten deposit taking microfinance banks (MFBs) while others were microfinance institutions (MFIs).

All together the microfinance sector witnessed 39.29 percent growth in its aggregate microcredit

portfolio which grew by Rs.26.2 billion to Rs.93 billion as of December 2015 from Rs.67 billion as at end of corresponding period last year. The number of borrowers also registered a growth of 19.5 percent, increasing to around 3.7 million at end of the period.

On a YoY basis, the sector was able to expand its branch/service center network to 2,960 as of December, 2015 adding 422 new business locations across the country compared to the corresponding period in 2014.



At the close of 3rd quarter of FY 2016 (March, 2016), the aggregate loan portfolio of MFBs grew by 55.55 percent to reach Rs.64.0 billion as compared to Rs.41.2 billion in the corresponding period last year. Increased from 1.24 million in the preceding period the number of borrowers registered an increase of 28 percent to reach to 1.59 million in March, 2016. Moreover, MFBs were able to contain NPLs at the level of 1.29 percent during this interval.

On similar note, the aggregate equity base of MFBs witnessed growth of 21.21 percent (i.e. Rs.3.33 billion) to reach Rs.19.0 billion at the close of the period. The asset base of the MFBs also registered a strong growth of 43.42 percent rising to Rs.102.4 billion by March, 2016 with an increment of Rs.31.0 billion.

The deposit base MFBs managed to exceed Rs.66.3 billion, compared to Rs.42.4 billion in March last year.

Branchless Banking Performance

The calendar year 2015 closed with progressive growth in almost all indicators of branchless banking. The number of branchless banking accounts, which are easy to open accounts to Know Your Customer requirements, witnessed a threefold growth, rising from 5.4 million in Dec 2014 to 15.3 million in Dec 2015; which confirms that there is huge potential in the market and much is to be done to bring the unbanked socio economic class into the formal financial realm.

The installation of biometric devices continued its pace during the year 2015, 53,394 devices were installed on agent locations nationwide. A total of 5.4 million accounts have been opened during the year through this robust, real time and paper-free mechanism of account opening.

On a YoY basis, the number of transactions grew from 278 million (Jan-Dec, 2014) to 374 million (Jan-Dec, 2015), showing an increase of 35 percent. Likewise, the value of transactions also

increased from Rs.1,352 million to Rs.1,872 million, showing an encouraging growth of 39 percent. The average deposits in BB account reached to Rs.8.8 billion in Dec-2015, from 6.6 billion in Dec-2014.

Branchless banking agents, which are the primary points of presence for the customers for provision of financial services, rose to 301,823 in Dec-2015 from 204,073 in Dec-2014 depicting an impressive growth of 48 percent.

The BB channel facilitated G2P disbursements of Rs.81.18 billion to 16.7 million beneficiaries during the year 2015. This endorses the fact that the branchless banking channel is continuing in the right direction to facilitate the unprivileged socio economic class through safety nets and social welfare schemes.

SBP Key Program initiatives during the FY 2016

Some of the key Program initiatives undertaken during FY 2016 were as under:

i. National Financial Inclusion Strategy (NFIS)

▶ In line with our country's requirements and global trends, SBP has developed a National Financial Inclusion Strategy (NFIS) which was formally launched on May 22, 2015. The objective of the strategy is to build momentum and push forward reforms to achieve universal financial inclusion in an integrated and sustained manner. The achievement of NFIs targets for financial inclusion is envisioned by focusing on following areas;

1. Promote Digital Transaction Accounts (DTAs) and reach scale through bulk payments
2. Expand and diversify access points
3. Improve capacity of financial service providers, and
4. Increase level of financial awareness.

▶ The NFIs coordination structure envisages the following governance bodies:

1. **NFIS Council:** chaired by the Federal Finance Minister. The council has met twice to review the progress on NFIs since its formulation.
2. **NFIS Steering Committee:** chaired by SBP Governor, has the overall responsibility of implementing the strategy. The Steering Committee met recently to kick-off the NFIS implementation and decided to form seven technical committees on NFIs focus areas.
3. **Technical Committees (TCs):** in seven focus areas have been formed to propose detailed action plans, resolve technical issues and propose solutions to the Steering Committee to achieve the NFIs targets.

ii. Access to Finance (A2F) Survey 2015

▶ SBP has recently concluded the 2nd Access to Finance Survey 2015 to gauge the performance of financial inclusion initiatives since 2008 and provided baseline data for the National Financial Inclusion Strategy. The survey provides a deeper understanding of the factors determining demand for financial services, information about financial services, understanding of these services; financial literacy, opinions, trust perceptions, etc.

▶ A2FS 2015 results shows that access to financial services has significantly increased in Pakistan since 2008, with 16 percent of the adult population now having access to a bank account (including mobile wallets), improving from 11 percent in 2008. Moreover, 23 percent of the adult population now has access to formal financial services (including providers of mobile money services) up from 12 percent in 2008. Furthermore, women are advanced in terms of financial inclusion as now 11 percent of women are utilizing banking services in 2015, compared to only 4 percent recorded in 2008.

iii. Centre for Excellence in Islamic Finance Education

▶ SBP launched the 3rd Financial Innovative Challenge Fund Round in January 2015 on

promoting Islamic Financial Services to meet the latent demand for Shariah compliant financial services in Pakistan. This round aimed to develop education and research infrastructure for promoting Islamic Finance in partnership with leading higher education institutions. The initiative was to facilitate the stakeholders for development of human capital base in the form of Islamic finance professionals including Shariah scholars, economist and researchers. Under this initiative, three Centres of Excellence in Islamic Finance (CEIF) have been established at Institute of Business Administration Karachi, Lahore University of Management Sciences, Lahore and Institute of Management Sciences, Peshawar. It is expected that these Centres will serve the Islamic finance industry in meeting its growing human resource and knowledge requirements through quality and value added services and knowledge products.

Insurance Sector

The insurance industry in Pakistan is relatively small compared to other developing and regional countries; however, the sector possesses huge potential for expansion and growth. For the 12 months to December, 2014 (CY2014), the industry's total premium revenue stood around Rs.199 billion (\$1.99 billion) as compared to Rs.174 billion (\$1.74 billion) as of CY 2013. The insurance penetration and density have also witnessed an upward trend at 0.77 percent and 10.40 for CY 2014, as compared to 0.73 percent and 9.26 for CY 2013.

The non-life insurance sector comprises of 41 insurers, including three general takaful operators and one state-owned insurer, the National Insurance Company Limited (NICL) with an exclusive mandate to underwrite public property and one state-owned reinsurer i.e. the Pakistan Reinsurance Company Limited (PRCL). Moreover, 11 non-life insurers have also been authorized by the SECP to undertake window takaful operations in Pakistan. The sector witnessed a growth of 6 percent during CY 2014 with the total premium underwritten of over Rs.68.4 billion.

On the other hand, the life insurance sector comprises of nine life insurers, including two family Takaful operators and one state-owned insurer, the State Life Insurance Corporation of Pakistan (SLIC). Moreover, 3 life insurers have also been authorized by the SECP to undertake window takaful operations in Pakistan. SLIC has maintained its dominancy in the life insurance sector with 59 percent market share while the remaining 41 percent of the market is shared among the private life insurers. In CY 2014, the life insurance sector witnessed a growth of 16 percent, with total premium of Rs.131 billion.

The only reinsurer of the industry – the government owned PRCL continues to be benefited from a mandatory minimum 35 percent share in the area of non-life Treaty Reinsurance.

Achievements:

SECP has taken number of initiatives in order to protect the interest of policyholders and to facilitate orderly development of the insurance industry:

- ▶ The SECP has issued guidelines on the standard estimation method to be used for the calculation of Incurred but Non Reported (IBNR) claims reserve to bring standardization across the non life insurance sector in respect of such estimation and to protect the insurance company from the adverse financial impact in case of unanticipated IBNR losses.
- ▶ The SECP has issued Circular on regulatory requirement for disclosure of branch information for insurance companies and takaful operators.
- ▶ The SECP has notified Directive for Life Insurance and Family Takaful Illustrations, 2016 to bring uniformity among the insurers in presenting illustrative values, to make illustrations more understandable and to ensure that illustrations do not mislead purchasers of life-insurance products. The main features of this directive include the presentation of cash values of the policy on both Real rate of return and Nominal rate of return.

- ▶ SECP with the approval of the Policy Board published the Bancassurance Regulations, 2015. This new regulatory framework has introduced various, regulatory measures such as rationalization of bank's remuneration structure, minimum financial protection, introduction of commission claw-back provision, minimum surrender values, minimum financial underwriting parameters, mandatory after sale call back requirements and introduction of a need analysis document.
- ▶ The SECP through inserting Rule 9 in the SEC (Insurance) Rules 2002, increased the minimum paid up capital requirements for the insurers, as Rs.500 million for non-life insurers and Rs.700 million for life insurers by the year 2017. This increase in the paid up capital requirement will improve the insurers' capacity to underwrite larger risk, retain sizable portion of these risks and will ultimately contribute towards better solvency of the insurers.
- ▶ The SECP initiated a process to raise the requirements on the governance of the insurance companies. The SECP has issued the Draft Code of Corporate Governance for Insurers, 2016 and has invited suggestions and comments of the stakeholders affected by the Code. The provisions of this Code will apply in addition to the provision imposed by SECP through the Code of Corporate Governance 2012 (for listed insurance companies) or the Public Sector Companies (Corporate Governance) Rules, 2013 (for public sector insurance companies).
- ▶ The SECP, in collaboration with the insurance Sub-Committee of ICAP, has formulated the Accounting Regulations and Formats for General Takaful/Window Takaful Operators, aimed to provide formats and accounting regulations for the financial statements to be prepared and reported and prescribing the treatments to be made for their different assets, liabilities, revenues and expenses.
- ▶ During the period, the SECP, after consultation with the Pakistan Society of Actuaries (PSOA), specified growth rate scenarios for life insurance and family takaful illustration for the year 2016. By using these growth rate scenarios, operators demonstrate projected benefits to the potential life insurance or family takaful policyholders. These specified growth rates are based on long term interest rate outlook prevalent in Pakistan.
- ▶ Till date the SECP granted window takaful authorization under the Takaful Rules, 2012 to 15 conventional insurers. This increase in window takaful operators shows an encouraging trend in the Takaful industry and further expected to increase in the forthcoming years.
- ▶ During the period, the SECP has issued fresh license to one insurance broker, which has raised the total number of registered direct insurance brokers to 13. This indeed is an encouraging trend, especially in the non-life insurance industry. The licenses of 3 brokers were also renewed during the period.

Conclusion

Significant improvement in key macroeconomic indicators, expansion in credit to private sector of which a welcome development is the gradual rise in net credit disbursement for fixed investment, strong banking performance bode well for a stable monetary management.



MONEY AND CREDIT

TABLE 5.1

COMPONENTS OF MONETARY ASSETS

Stock	(Rs. Million)									2016 March (P)
	2007	2008	2009	2010	End June		2012	2013	2014	
1. Currency Issued	901,401	1,054,191	1,231,871	1,385,548	1,608,641	1,785,775	2,050,157	2,317,891	2,715,556	3,177,110
2. Currency held by SBP	3,148	2,900	2,693	2,491	2,380	1,974	1,068	529	508	498
3. Currency in title of Scheduled Banks	58,072	68,966	77,006	87,673	104,852	110,055	110,867	139,490	160,299	163,791
4. Currency in circulation (1-2-3)	840,181	982,325	1,152,173	1,295,385	1,501,409	1,673,746	1,938,222	2,177,873	2,554,749	3,012,821
5. Other deposits with SBP*	7,012	4,261	4,662	6,663	10,145	8,899	9,075	11,689	13,747	15,766
6. Scheduled Banks Total Deposits**	3,217,962	3,702,556	3,980,384	4,475,186	5,183,640	5,959,150	6,909,066	7,777,021	8,713,648	8,931,151
7. Resident Foreign Currency Deposits (RFCD)	207,312	263,430	280,364	345,438	374,945	440,130	514,988	599,384	597,760	592,954
8. Monetary assets (4+5+6)	4,065,155	4,689,143	5,137,219	5,777,234	6,695,194	7,641,795	8,856,364	9,966,583	11,282,144	11,959,738
9. Growth rate (%)	19.3	15.3	9.6	12.5	15.9	14.1	15.9	12.5	13.2	6.0
Memorandum										
1. Currency / Money ratio	20.7	20.9	22.4	22.4	22.4	21.9	21.9	21.9	22.60	25.20
2. Demand Deposits / Money ratio	65.0	65.5	62.4	62.2	61.6	61.7	63.1	65.3	65.60	64.00
3. Time Deposits / Money ratio	9.0	7.8	9.6	9.3	10.2	10.6	9.1	6.7	6.4	5.7
4. Other Deposits / Money ratio	0.2	0.1	0.1	0.1	0.2	0.1	0.1	0.1	0.1	0.1
5. RFCD / Money ratio	5.1	5.6	5.5	6.0	5.6	5.8	5.8	6.0	5.3	5.0
6. Income Velocity of Money***	2.3	2.3	2.6	2.7	2.9	2.8	2.8	2.7	2.6	2.4

P : Provisional

* : Excluding IMF A/c Nos. 1 & 2 SAF Loans A/c deposits money banks, counterpart funds, deposits of foreign central banks and foreign governments.

** : Excluding inter banks deposits and deposits of federal and provincial governments, foreign constituents and international organization etc.

*** : Income velocity of money is taken as GDP at current factor cost / quarterly average of monetary assets (M2)

TABLE 5.2

CAUSATIVE FACTORS ASSOCIATED WITH MONETARY ASSETS

	(Rs. Million)							
	2009	2010	2011	2012	2013	2014	2015 R	2016 March (P)
	A. Stock End June							
1. Public Sector Borrowing (net) (i + ii + iii + iv + v + vi)	2,034,305	2,440,941	3,020,510	4,257,951	5,698,112	6,025,228	6,958,215	7,394,312
i. Net Budgetary Support	1,681,022	2,011,459	2,601,622	3,799,917	5,239,564	5,542,534	6,403,559	6,940,305
ii. Commodity Operations	336,202	413,191	397,488	436,137	467,707	492,439	564,459	464,171
iii. Zakat Fund etc.	-15,114	-15,904	-10,795	-10,298	-9,159	-9,745	-9,803	(10,164)
iv. Utilization of privatization proceeds by Govt./WAPDA	37,657	37,657	37,657	37,657	0	0	0	-
v. Use of Privatization proceeds/ NDRP Fund for Debt Retirement	-5,749	-5,749	-5,749	-5,749	0	0	0	-
vi. Payment to HBL on A/C of HC&EB	287	287	287	287	0	0	0	-
2. Non-Government Sector	3,189,994	3,388,800	3,547,345	3,652,248	3,663,984	4,152,542	4,456,001	4,791,778
i. Autonomous Bodies**	109,675	70,479	68,283	83,987	106,960	130,283	142,179	150,453
ii. Net Credit to Private Sector * & PSCEs	3,080,319	3,318,321	3,479,062	3,568,261	3,557,024	4,022,260	4,313,822	4,641,325
a. Private Sector*	2,906,897	3,019,822	3,141,151	3,376,392	3,357,352	3,779,236	4,003,083	4,326,515
b. Public Sector Corp. other than 2(i)	180,330	304,554	343,255	197,087	205,210	248,501	316,561	320,187
c. PSEs Special Account Debt Repayment	-23,683	-23,683	-23,915	-23,915	-24,075	-24,075	-24,075	(24,244)
d. Other Financial Institutions (NBFIs)	16,776	17,628	18,571	18,697	18,537	18,597	18,252	18,867
3. Counterpart Funds	-500	-503	-498	-498	-530	-530	-530	(530)
4. Other Items (Net)*	-582,434	-597,285	-652,416	-800,038	-767,938	-803,699	-944,289	(1,122,387)
5. Domestic Credit (1+2+3+4)	4,641,364	5,231,953	5,914,941	7,109,663	8,593,629	9,373,541	10,469,398	11,063,173
6. Foreign Assets (Net)	495,855	545,281	780,253	532,131	262,735	593,042	812,747	896,564
7. Monetary Assets (5+6)	5,137,218	5,777,234	6,695,194	7,641,795	8,856,364	9,966,583	11,282,144	11,959,738
	B. Changes over the year (July-June)							
8. Public Sector Borrowing (net) (i+ii+iii+iv+v+vi)	525,763	406,636	579,569	1,237,441	1,440,161	327,117	932,986	436,098
i. Net Budgetary Support	316,418	330,437	590,163	1,198,295	1,439,647	302,971	861,025	536,746
ii. Commodity Operations	210,779	76,989	-15,703	38,649	31,570	24,733	72,019	(100,287)
iii. Zakat Fund etc.	-1,433	-790	5,109	498	1,139	-587	-58	(361)
iv. Utilization of privatization proceeds by Govt./WAPDA	-	-	-	-	-37,657	-	-	-
v. Use of Privatization proceeds/ NDRP Fund for Debt Retirement	-	-	-	-	5,749	-	-	-
vi. Payment to HBL on A/C of HC&EB	-	-	-	-	-287	-	-	-
9. Non-Government Sector*	170,070	198,806	158,544	104,903	11,736	488,558	303,459	335,777
i. Autonomous Bodies**	25,260	-39,196	-2,196	15,704	22,973	23,322	11,897	8,274
ii. Net Credit to Private Sector & PSCEs	147,783	238,002	160,740	89,200	-11,237	465,236	291,562	327,503
a. Private Sector*	17,083	112,926	121,328	235,242	-19,041	421,885	223,847	323,432
b. Public Sector Corp. other than 2(i)	127,464	124,224	38,701	-146,168	8,123	43,291	68,060	3,626
c. PSEs Special Account Debt Repayment	3,914	0	-232	0	-160	0	0	(169)
d. Other Financial Institutions (NBFIs)	351	852	943	126	-160	60	-345	615
10. Counterpart Funds	43	-3	5	0	-32	0	0	-
11. Other Items (Net)*	-76,143	-14,850	-55,131	-147,622	32,100	-35,762	-140,589	(178,099)
12. Domestic Credit Expansion (8+9+10+11)	619,733	590,589	682,988	1,194,723	1,483,966	779,913	1,095,856	593,776
13. Foreign Assets (Net)	-171,656	49,427	234,972	-248,122	-269,396	330,306	219,705	83,818
14. Monetary Expansion (12+13)	448,075	640,016	917,960	946,601	1,214,569	1,110,219	1,315,561	677,593

P : Provisional

Source: State Bank of Pakistan

*: Note: Islamic Financing, Advances (against Murabaha etc) and other related items previously reported under other Assets has been reclassified as credit to private sector.

**: Autonomous bodies are WAPDA (PEPCO), OGDCL, SSGC, SNGPL, PIA, Pakistan Steel and Pakistan Railway.

TABLE 5.3
SCHEDULED BANKS POSITION BASED ON WEEKLY RETURNS:
LIABILITIES AND ASSETS

	(Rs. Million)							
Outstanding Amount at end June	2009	2010	2011	2012	2013	2014	2015 R	2016 March (P)
LIABILITIES								
1. Capital (paid-up) and Reserves	639,098	669,863	724,112	813,555	932,906	984,863	1,277,273	1,285,120
DEMAND LIABILITIES IN PAKISTAN								
2. Inter-banks Demand Liabilities	60,235	69,679	88,478	107,332	120,419	129,222	132,589	111,903
2.1 Borrowing	0	0	0	0	0	0	0	0
2.2 Deposits	60,235	69,679	88,478	107,332	120,419	129,222	132,589	111,903
3. Deposits (General)	3,473,440	3,965,680	4,601,452	5,251,360	6,147,750	7,148,706	8,161,800	8,496,281
4. Other Liabilities	218,283	227,436	251,625	291,216	328,249	384,936	367,968	341,929
5. Total Demand Liabilities (2+3+4)	3,751,958	4,262,795	4,941,556	5,649,908	6,596,418	7,662,865	8,662,357	8,950,113
TIME LIABILITIES IN PAKISTAN								
6. Inter-banks Time Liabilities	17,470	11,883	3,817	660	4,883	625	466	9,015
6.1 Borrowing	0	0	0	0	0	0	0	0
6.2 Deposits	17,470	11,883	3,817	660	4,883	625	466	9,015
7. Time Deposits (General)	684,685	770,992	905,350	1,043,383	1,055,019	1,002,053	1,073,549	1,107,765
8. Other Liabilities	86,659	93,947	105,214	108,105	113,607	106,009	137,495	152,503
9. Total Time Liabilities (6+7+8)	788,814	876,823	1,014,381	1,152,148	1,173,509	1,108,687	1,211,509	1,269,283
10. Total Demand and Time Liabilities	4,540,772	5,139,617	5,955,937	6,802,056	7,769,926	8,771,552	9,873,867	10,219,397
11. Borrowing From SBP	293,641	321,127	359,278	378,714	483,931	272,436	918,222	1,622,630
12. Borrowing from Banks Abroad	9,139	9,211	14,403	15,446	43,219	70,309	101,329	99,863
13. Money at Call and Short Notice in Pakistan	192,979	218,179	174,488	96,165	277,425	340,538	266,903	159,167
14. Other Liabilities	323,587	423,774	458,099	521,701	499,920	521,906	513,135	589,751
15. Total Liabilities	5,999,217	6,781,771	7,686,317	8,627,638	10,007,328	10,961,604	12,950,729	13,975,929
16. Total Statutory Reserves	187,598	213,140	247,078	282,495	329,821	383,143	433,118	447,506
16.1 On Demand Liabilities	187,598	213,140	247,078	282,495	329,821	383,143	433,118	447,506
16.2 On Time Liabilities Assets	0	0	0	0	0	0	0	0
ASSETS								
17. Cash in Pakistan	77,006	87,673	104,852	110,055	110,867	139,490	160,299	163,791
18. Balances with SBP	278,432	288,067	342,501	393,631	489,765	525,303	406,616	377,245
19. Other Balances	80,986	80,458	103,921	116,871	133,064	162,657	164,176	112,523
20. Money at Call and Short Notice in Pakistan	185,049	228,906	162,696	102,968	252,298	319,058	408,195	197,585
21. 17+18+19+20 as % of Total Demand and Time Liabilities	13.7	13.3	12.0	10.6	12.7	13.1	11.5	8.3
FOREIGN CURRENCY								
22. Foreign Currency held in Pakistan	13,518	15,482	14,797	19,024	19,365	24,468	24,688	28,412
23. Balances with Banks Abroad	149,837	110,694	98,656	95,290	89,011	88,353	102,479	102,069
24. Total Foreign Currency	163,356	126,176	113,453	114,315	108,376	112,821	127,168	130,481
BANK CREDIT ADVANCES								
25. To Banks	0	0	0	0	0	0	0	0
26. To Others*	3,085,495	3,233,176	3,340,283	3,566,978	3,673,730	4,164,034	4,535,839	4,766,067
27. Total Advances*	3,085,495	3,233,176	3,340,283	3,566,978	3,673,730	4,164,034	4,535,839	4,766,067
28. Bills Purchased and Discounted	148,693	158,269	193,307	204,982	219,048	224,842	201,228	170,185
29. Total Bank Credit	3,234,188	3,391,445	3,533,590	3,771,960	3,892,778	4,388,875	4,737,067	4,936,251
29 a. Total Credit as % of Total Demand and Time Liabilities	71.2	66.0	59.0	55.5	50.1	49.5	47.3	48.3
INVESTMENT IN SECURITIES AND SHARES								
30. Central Government Securities	214,164	248,753	464,936	829,485	1,117,115	2,413,134	3,295,052	4,088,460
31. Provincial Government Securities	0	0	0	0	0	0	0	0
32. Treasury Bills	756,955	1,105,957	1,577,897	1,928,287	2,611,512	1,550,476	2,164,055	2,563,494
33. Other Investment in Securities & Shares	385,035	506,303	530,571	435,647	367,692	375,968	390,468	409,014
34. Total Investment in Securities and Shares	1,356,154	1,861,013	2,573,404	3,193,419	4,096,319	4,339,578	5,849,576	7,060,969
35. 35 as % of 10	29.9	36.2	43.0	46.9	52.7	49.5	59.2	69.1
36. Other Assets *	349,537	423,040	455,531	510,637	609,017	640,249	735,456	626,197
37. Advance Tax Paid	47,136	58,459	71,091	75,114	67,450	72,314	58,375	57,334
38. Fixed Assets	227,373	236,534	225,277	238,669	247,394	261,258	303,801	313,553
39. Total Assets	5,999,217	6,781,771	7,686,317	8,627,638	10,007,328	10,961,604	12,950,729	13,975,929
40. Excess Reserves (18-16)	90,834	74,928	95,423	111,136	159,944	142,159	(26,502)	(70,261)

P : Provisional

Source: State Bank of Pakistan

Note:

1 : Effective from 22 July 2006, demand & time deposits have been re-classified in accordance with Banking Surveillance Department circular no. 9, 2006 dated 18 July 2006. The time deposits of less than 6 months are included in demand deposits for the purpose of Cash Reserve Requirement and Statutory Liquid Requirements.

2 : Definition of time & demand liabilities as mentioned in BSD circular no 9th dated 18th July 2008 have been revised. As per new definition, time liabilities include deposits with tenor of one year and above. Accordingly, time deposits with tenor of less than one year will become part of demand deposits.

*: Note: Islamic Financing , Advances (against Murabaha etc) and other related items previously reported under other Assets has been reclassified as credit to private sector.

TABLE 5.4

INCOME VELOCITY OF MONEY

(Rs. Billion)				
End June Stocks	Narrow Money M1	Monetary Assets (M2)	Growth Percentage	Income Velocity of Monetary Assets (M2)
2000-01	1,275.61	1,526.04	9.0	2.6
2001-02	1,494.14	1,751.88	14.8	2.5
2002-03	1,797.36	2,078.48	18.6	2.3
2003-04	2,174.74	2,485.49	19.6	2.3
2004-05	2,512.21	2,960.64	19.1	2.4
2005-06	2,720.68	3,406.91	15.1	2.4
2006-07	3,155.63	4,065.16	19.3	2.3
2007-08	4,339.50	4,689.14	15.3	2.3
2008-09	3,621.22	5,137.21	9.6	2.6
2009-10	-	5,777.23	12.5	2.7
2010-11	-	6,695.19	15.9	2.9
2011-12	-	7,641.79	14.1	2.8
2012-13	-	8,856.36	15.9	2.8
2013-14	-	9,966.58	12.5	2.7
2014-15	-	11,282.14	13.2	2.6
2015-16 P (Mar)	-	11,959.74	6.0	2.4

P: Provisional

Source: State Bank of Pakistan

Explanatory Notes:

1. It may be noted that data series of M1 from 2000-01 is not comparable as compilation of M1 based on weekly data has been discontinued by the SBP. Now M1 is being compiled on the basis of monthly returns and as reported in the monthly Statistical Bulletin of the SBP beginning from April 2008 in its table 2.1
2. The stock data of M2 has been revised since June 2002 due to treatment of privatization commission deposits with NBP as government deposits. These deposits were previously included in private sector deposits which have now being included in government deposits.
3. Provision of data on M1 has been discontinued from SBP.

TABLE 5.5**LIST OF DOMESTIC, FOREIGN BANKS AND DFIs (As on 31-12-2015)**

<u>Public Sector Commercial Banks</u>	20. Standard Chartered Bank (Pakistan) Limited
1. First Women Bank Ltd.	21. Summit Bank Limited
2. National Bank of Pakistan	22. United Bank Limited
3. Sindh Bank Limited	
4. The Bank of Khyber	
5. The Bank of Punjab	
<u>Specialized Scheduled Banks</u>	<u>Foreign Banks</u>
1. The Punjab Provincial Co-operative Bank	1. Citibank N.A.
2. Industrial Development Bank Limited (IDBL)	2. Deutsche Bank A.G.
3. SME Bank Limited	3. Industrial and Commercial Bank of China Limited
4. Zarai Taraqiati Bank Limited	4. The Bank of Tokyo - Mitsubishi UFJ Limited
<u>Private Local Banks</u>	<u>Development Financial Institutions</u>
1. Allied Bank Limited	1. House Building Finance Corporation
2. Albarka Bank Pakistan Limited	2. Pak-Brunai Investment Company Ltd
3. Askari Bank Limited	3. Pak-China Investment Co. Ltd
4. Bank Al Falah Limited	4. Pak-Iran Joint Investment Co.Ltd
5. Bank Al Habib Limited	5. Pak Kuwait Investment Company of Pakistan (Pvt) Limited
6. Bank Islami Pakistan Limited	6. Pak Labya Holding Company (Pvt) Limited
7. Burj Bank Ltd	7. Pak Oman Investment Company (Pvt) Limited
8. Dubai Islamic Bank Pakistan Limited	8. Saudi Pak Industrial & Agricultural Investment Company (Pvt) Limited
9. Faysal Bank Limited	
10. Habib Bank Limited	<u>Micro Finance Banks</u>
11. Habib Metropolitan Bank Limited	1. Advans Pakistan Micro Finance Bank
12. JS Bank Limited	2. FINCA Microfinance Bank Ltd
13. MCB Bank Limited	3. First Micro Finance Bank Limited
14. MCB Islamic Bank	4. Khushhali Bank
15. Meezan Bank Limited	5. APNA Microfinance Bank Limited
16. NIB Bank Limited	6. NRSP Micro Finance Bank Ltd
17. Samba Bank Limited	7. Pak Oman Micro Finance Bank Limited
18. Silk Bank Limited	8. Tameer Micro Finance Bank Limited
19. Soneri Bank Limited	9. U Micro Finance Bank Ltd
	10. Waseela Micro Finance Bank
	11. Sindh Micrifinance Bank Limited

Source: State Bank of Pakistan

TABLE 5.6

SCHEDULED BANKS IN PAKISTAN (Weighted Average Rates of Return on Advances)

		(in Percentage)							
As at the		Precious	Stock	Merchan-	Machinery	Real	Financial	Others	Total
End of		Metal	Exchange	dise		Estate	Obli-		Advances*
			Securities				gations		
I. INTEREST BEARING									
2000	Jun	11.10	13.76	13.67	13.15	12.23	13.65	13.34	13.25
		(11.81)	(13.45)	(13.83)	(13.15)	(13.73)	(14.03)	(13.98)	(13.77)
	Dec	11.53	13.57	12.88	13.82	12.90	13.49	12.93	13.08
		(12.73)	(12.82)	(13.68)	(13.74)	(13.62)	(13.56)	(13.36)	(13.58)
2001	Jun	11.75	13.54	13.69	13.50	12.84	13.07	12.05	13.07
		(13.87)	(14.06)	(13.59)	(13.55)	(13.86)	(13.00)	(13.87)	(13.64)
2002	Jun	8.10	11.27	13.12	13.56	12.72	13.88	12.47	13.00
		(8.14)	(11.70)	(13.13)	(13.67)	(12.98)	(13.81)	(13.39)	(13.29)
2003	Jun	12.01	11.97	9.39	15.66	12.63	7.74	10.66	11.87
		(12.01)	(11.82)	(9.67)	(15.68)	(12.86)	(7.66)	(11.49)	(12.35)
2004	Jun	9.20	6.01	6.89	11.21	9.08	7.08	9.04	8.41
		(9.20)	(6.01)	(7.08)	(11.77)	(9.08)	(7.03)	(9.05)	(8.54)
2005	Jun	8.51	6.86	6.09	4.59	6.68	6.76	8.86	7.01
		(8.51)	(8.29)	(6.01)	(4.07)	(6.68)	(6.70)	(9.02)	(7.01)
2006	Jun	11.58	14.84	8.68	8.55	10.23	10.31	9.59	9.71
		(11.58)	(14.09)	(8.51)	(8.55)	(10.23)	(10.31)	(9.99)	(9.66)
2007	Jun	10.87	11.37	10.73	11.07	12.30	11.05	10.76	11.25
		(10.87)	(12.11)	(10.68)	(11.06)	(12.30)	(11.05)	(10.81)	(11.30)
	Dec	11.45	10.36	9.82	11.09	12.85	10.02	11.93	11.64
		(11.45)	(10.42)	(9.82)	(11.09)	(12.85)	(10.02)	(11.98)	(11.66)
2008	Jun	13.62	12.37	11.78	13.16	12.21	13.32	13.02	12.53
		(13.62)	(12.60)	(11.77)	(13.16)	(12.21)	(13.32)	(13.14)	(12.57)
	Dec	14.64	13.88	13.83	12.05	13.60	16.55	13.74	13.60
		(14.64)	(14.11)	(13.83)	(12.04)	(13.60)	(16.55)	(13.52)	(13.66)
2009	Jun	14.86	12.15	13.45	11.91	14.14	15.30	13.21	13.54
		(14.86)	(10.11)	(13.07)	(11.91)	(13.75)	(15.27)	(13.10)	(13.54)
	Dec	14.07	11.62	12.38	12.78	13.70	12.43	12.35	12.66
		(14.07)	(10.28)	(12.17)	(12.78)	(13.70)	(11.87)	(11.99)	(12.48)
2010	Jun	14.85	13.86	10.90	9.63	12.77	12.07	13.02	12.20
		(14.85)	(14.30)	(9.77)	(9.63)	(12.77)	(12.07)	(13.20)	(12.03)
	Dec	14.72	13.36	11.69	12.02	12.48	13.45	12.92	12.36
		(14.72)	(12.30)	(11.32)	(11.95)	(12.47)	(13.45)	(12.81)	(12.19)
2011	Jun	15.78	12.42	11.33	11.11	12.01	11.04	12.85	12.01
		(15.78)	(13.26)	(10.50)	(11.11)	(12.01)	(11.04)	(12.69)	(11.72)
	Dec	14.78	10.20	11.53	8.89	11.46	13.12	12.90	11.81
		(14.78)	(9.95)	(11.27)	(8.85)	(11.46)	(13.12)	(12.88)	(11.68)
2012	Jun	12.80	12.86	11.89	11.07	12.49	12.30	13.29	12.43
		(12.80)	(15.01)	(11.48)	(11.02)	(12.49)	(12.30)	(13.24)	(12.28)
	Dec	15.40	12.28	10.55	8.31	10.20	8.40	11.41	10.77
		(15.40)	(12.25)	(10.15)	(8.28)	(10.20)	(8.40)	(11.92)	(10.81)
2013	Jun	14.86	11.72	8.71	8.45	10.80	9.40	10.64	9.97
		(14.86)	(11.95)	(8.61)	(8.42)	(10.80)	(9.40)	(10.58)	(9.89)
	Dec	9.66	11.65	10.77	9.67	11.11	7.79	11.49	10.91
		(9.66)	(11.97)	(10.50)	(9.66)	(11.11)	(7.79)	(12.22)	(11.04)
2014	Jun	15.46	12.03	10.11	9.92	11.61	7.10	11.72	11.20
		(15.46)	(12.49)	(9.66)	(9.92)	(11.61)	(7.10)	(11.72)	(11.10)
	Dec	15.32	11.93	9.58	9.64	11.65	7.39	12.33	11.30
		(15.32)	(12.73)	(9.07)	(9.64)	(11.65)	(7.39)	(12.33)	(11.20)
2015	Jun	12.99	11.15	9.13	8.64	9.91	7.32	11.51	10.27
		(12.99)	(11.06)	(8.73)	(8.64)	(9.91)	(7.32)	(11.51)	(10.14)
	Dec	14.45	9.44	8.69	8.79	9.29	6.65	11.38	9.90
		(14.45)	(10.49)	(8.92)	(8.79)	(9.29)	(6.65)	(11.38)	(10.07)

* : Weighted average rates shown in parentheses represent Private Sector.

(Contd.)

TABLE 5.6

SCHEDULED BANKS IN PAKISTAN (Weighted Average Rates of Return on Advances)

		(in Percentage)							
As at the		Precious	Stock	Merchan-	Machinery	Real	Financial	Others	Total
End of		Metal	Exchange	dise		Estate	Obli-		Advances*
			Securities				gations		
II. ISLAMIC MODES OF FINANCING									
2000	Jun	10.61	13.12	13.48	14.31	13.08	13.42	13.83	13.54
		(11.10)	(13.48)	(14.07)	(14.39)	(14.39)	(13.40)	(14.94)	(14.27)
	Dec	11.24	13.51	13.54	14.48	12.97	13.15	14.07	13.59
		(11.32)	(13.68)	14.01	(14.53)	(14.24)	(13.09)	(15.09)	(14.24)
2001	Jun	11.02	13.47	13.39	14.53	13.31	13.84	14.03	13.65
		(11.28)	(13.57)	(13.88)	(14.42)	(14.52)	(13.86)	(14.78)	(14.24)
2002	Jun	9.30	13.09	12.85	13.70	13.47	13.32	13.32	13.20
		(9.50)	(13.33)	(12.73)	(13.81)	(14.05)	(13.22)	(14.00)	(13.52)
2003	Jun	11.43	5.92	7.50	9.39	11.47	7.79	10.31	9.19
		(11.43)	(5.77)	(7.95)	(9.54)	(12.08)	(8.62)	(10.84)	(9.71)
2004	Jun	10.86	4.86	5.73	6.61	9.27	5.88	8.34	7.19
		(10.86)	(5.28)	(5.96)	(6.81)	(9.68)	(5.82)	(9.01)	(7.60)
2005	Jun	9.03	7.15	7.93	7.80	10.16	8.21	10.15	8.94
		(9.03)	(7.17)	(7.95)	(7.88)	(10.22)	(8.19)	(10.67)	(9.13)
2006	Jun	10.66	10.03	9.63	9.14	11.23	9.25	12.37	10.68
		(10.66)	(10.20)	(9.66)	(9.20)	(11.26)	(9.25)	(12.90)	(10.83)
2007	Jun	12.04	11.26	10.11	10.80	11.92	10.43	13.02	11.57
		(12.04)	(11.34)	(10.03)	(10.84)	(11.92)	(10.49)	(13.40)	(11.68)
	Dec	9.70	11.27	10.26	10.76	11.80	10.58	12.93	11.55
		(9.70)	(11.41)	(10.23)	(10.82)	(11.79)	(10.62)	(13.26)	(11.65)
2008	Jun	11.75	12.87	11.53	12.26	12.11	11.23	13.90	12.48
		(11.75)	(12.93)	(11.55)	(12.22)	(12.12)	(11.23)	(14.21)	(12.55)
	Dec	15.02	15.76	14.42	14.62	13.51	15.00	15.89	14.72
		(15.02)	(15.66)	(14.19)	(14.67)	(13.49)	(15.02)	(15.96)	(14.72)
2009	Jun	14.18	15.01	14.19	14.20	13.27	15.83	15.08	14.31
		(14.18)	(15.03)	(13.73)	(14.10)	(13.30)	(16.79)	(15.20)	(14.30)
	Dec	14.18	13.61	12.10	12.72	12.71	11.93	14.88	13.22
		(14.14)	(14.02)	(12.18)	(12.70)	(12.71)	(11.55)	(14.96)	(13.10)
2010	Jun	15.08	14.26	13.16	13.81	12.25	13.59	14.83	13.73
		(15.74)	(14.34)	(12.80)	(13.79)	(12.24)	(13.67)	(14.94)	(13.52)
	Dec	15.20	13.80	13.01	13.10	12.24	12.86	14.59	13.43
		(15.20)	(13.59)	(12.69)	(13.18)	(12.23)	(12.79)	(14.82)	(13.23)
2011	Jun	16.24	11.04	12.81	13.74	12.57	12.81	14.73	13.55
		(16.24)	(14.41)	(12.36)	(14.22)	(12.53)	(12.83)	(14.43)	(13.32)
	Dec	13.50	13.06	13.40	14.18	12.46	12.42	15.04	13.83
		(13.50)	(13.21)	(13.17)	(14.14)	(12.46)	(12.51)	(14.92)	(13.62)
2012	Jun	9.46	11.63	12.84	12.51	11.84	14.11	13.68	12.84
		(9.63)	(12.89)	(12.43)	(13.17)	(11.81)	(14.10)	(13.52)	(12.72)
	Dec	9.53	11.10	11.19	12.10	12.43	13.30	12.80	12.02
		(9.53)	(11.67)	(10.91)	(12.03)	(12.40)	(13.21)	(13.02)	(11.93)
2013	Jun	12.80	11.65	11.02	11.74	12.05	13.80	12.20	11.78
		(13.69)	(11.44)	(10.92)	(11.46)	(12.04)	(12.57)	(12.88)	(11.81)
	Dec	14.20	10.80	10.52	11.14	11.23	9.10	11.79	11.20
		(15.26)	(10.99)	(10.48)	(11.03)	(11.29)	(10.67)	(12.59)	(11.37)
2014	Jun	14.22	11.27	10.12	9.48	12.03	10.65	12.29	11.18
		(15.12)	(11.25)	(10.44)	(11.16)	(11.71)	(10.65)	(12.90)	(11.58)
	Dec	13.73	11.00	10.35	10.72	11.50	10.22	11.94	11.11
		(15.03)	(11.01)	(10.31)	(11.04)	(11.50)	(10.19)	(12.91)	(11.28)
2015	Jun	11.59	8.83	8.48	8.22	10.49	10.19	10.02	9.30
		(12.22)	(8.79)	(8.68)	(8.62)	(10.56)	(9.58)	(11.42)	(9.77)
	Dec	13.15	8.42	7.32	8.16	9.12	9.70	8.80	8.34
		(13.85)	(7.94)	(7.43)	(8.18)	(9.20)	(8.57)	(10.12)	(8.66)

* : Weighted average rates shown in parentheses represent Private Sector

Source: State Bank of Pakistan

TABLE 5.7

SALE OF GOVERNMENT SECURITIES THROUGH AUCTION (MTBs)

(Rs. Million)										
No	Securities	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16 March (P)
Market Treasury Bills*										
A. Three Months Maturity										
Amount Offered										
i)	Face value	157,946	1,413,218	571,993	2,837,276	1,658,923	1,592,616	5,555,952	1,697,279	2,101,410
ii)	Discounted value	154,340	1,372,004	556,452	2,742,436	1,611,411	1,554,179	5,435,437	1,658,957	2,070,876
Amount Accepted										
i)	Face value	139,771	975,798	239,467	1,668,408	1,114,157	1,155,404	5,031,692	1,231,906	1,211,203
ii)	Discounted value	136,574	947,622	232,985	1,619,861	1,084,374	1,130,378	4,922,517	1,206,378	1,193,527
Weighted Average Yield										
i)	Minimum % p.a.	8.687	11.451	11.306	12.084	11.562	8.932	8.887	6.606	6.152
ii)	Maximum % p.a.	11.316	13.855	12.968	13.577	13.518	11.873	9.974	9.970	6.931
B. Six Months Maturity										
Amount Offered										
i)	Face value	91,476	272,584	868,334	2,226,878	1,719,456	3,597,169	1,024,910	2,157,339	1,911,162
ii)	Discounted value	87,279	255,885	818,516	2,087,195	1,619,284	3,425,863	973,520	2,071,487	1,851,577
Amount Accepted										
i)	Face value	78,242	176,401	406,896	1,614,552	1,058,185	2,434,463	950,189	1,251,489	1,188,603
ii)	Discounted value	74,673	165,626	383,593	1,538,590	996,796	2,319,355	906,276	1,200,353	1,151,228
Weighted Average Yield										
i)	Minimum % p.a.	8.902	11.668	11.381	12.316	11.626	8.916	8.944	6.635	6.166
ii)	Maximum % p.a.	11.472	14.011	12.597	13.736	13.762	11.920	9.979	9.979	6.951
C. Twelve Months Maturity										
Amount Offered										
i)	Face value	658,709	931,293	1,765,589	908,194	2,154,137	2,963,751	915,273	2,955,465	2,759,473
ii)	Discounted value	598,425	823,027	1,572,033	799,172	1,910,366	2,691,500	830,313	2,725,976	2,591,960
Amount Accepted										
i)	Face value	441,130	332,008	931,787	599,015	1,283,676	2,017,987	894,465	1,226,861	1,554,942
ii)	Discounted value	402,784	294,106	830,606	527,018	1,139,954	1,833,775	813,625	1,130,052	1,460,652
Weighted Average Yield										
i)	Minimum % p.a.	9.16	11.778	11.464	12.431	11.690	8.956	8.957	6.717	6.170
ii)	Maximum % p.a.	11.688	14.261	12.609	13.907	13.907	11.930	9.990	9.990	6.971

P : Provisional

Source: State Bank of Pakistan

* : MTBs were introduced in 1998-99

Note : Amount includes Non-competitive Bids as well

TABLE 5.8

SALE OF GOVERNMENT SECURITIES THROUGH AUCTION (PIBs)

(Rs. Million)										
No.	Securities	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16 March (P)
Pakistan Investment Bonds*										
A.	Amount Offered	141,853	12,640	140,520	321,936	331,683	647,257	2,232,571	2,175,106	2,058,255
	03 Years Maturity	11,260	9,523	21,163	81,960	98,271	319,735	1,231,992	1,104,978	1,083,071
	05 Years Maturity	21,311	4,410	13,427	33,306	74,798	173,909	465,286	577,463	812,426
	07 Years Maturity	-	-	5,900	6,576	1,650	-	-	-	-
	10 Years Maturity	61,593	25,254	69,800	176,840	149,418	147,403	512,925	483,891	162,758
	15 Years Maturity	16,138	2,536	3,560	2,966	2,446	-	-	-	-
	20 Years Maturity	11,750	3,500	12,120	7,875	4,890	6,210	22,368	8,775	-
	30 Years Maturity	19,800	7,000	14,550	12,413	210	-	-	-	-
B.	Amount Accepted	73,584	25868	64,732	169,295	226,095	278,357	2,038,994	1,014,437	782,964
	3 Years Maturity									
	(i) Amount Accepted	5,169	4,165	11,645	49,712	72,207	139,300	1,171,806	495,486	407,615
	(ii) Weighted Average Yield									
	Minimum % p.a.	9.619	13.697	12.208	13.898	12.080	9.607	10.326	7.365	6.295
	Maximum % p.a.	12.296	13.883	13.551	14.200	13.431	12.639	12.086	12.539	8.065
	5 Years Maturity									
	(i) Amount Accepted	10,777	3,023	7,177	16,668	55,897	80,492	426,111	287,494	338,021
	(ii) Weighted Average Yield									
	Minimum % p.a.	9.796	14.335	12.294	12.276	12.108	10.050	10.776	8.011	6.968
	Maximum % p.a.	10.800	14.336	12.563	14.277	13.474	13.050	12.559	12.965	8.965
	7 Years Maturity									
	(i) Amount Accepted	-	2,935	2,175	Bids	-	-	-	-	-
	(ii) Weighted Average Yield				Rejected					
	Minimum % p.a.	-	14.3273	12.4159	0	0	-	-	-	-
	Maximum % p.a.	-	14.7041	12.696	0	0	-	-	-	-
	10 Years Maturity									
	(i) Amount Accepted	23,875	8,509	39,399	101,355	92,049	53,368	420,755	223,457	37,328
	(ii) Weighted Average Yield									
	Minimum % p.a.	10.179	14.472	12.426	14.017	12.156	10.962	11.527	9.137	8.221
	Maximum % p.a.	13.411	14.864	12.705	14.249	13.499	13.327	12.921	13.439	9.401
	15 Years Maturity									
	(i) Amount Accepted	8,613	1,236	1,035	460	2,262	-	-	-	-
	(ii) Weighted Average Yield									
	Minimum % p.a.	11.108	14.750	12.293	14.098	13.501	-	-	-	-
	Maximum % p.a.	13.441	15.356	12.923	14.108	13.501	-	-	-	-
	20 Years Maturity									
	(i) Amount Accepted	9,050	1,500	1,525	875	3,680	5,197	20,323	8,000	-
	(ii) Weighted Average Yield									
	Minimum % p.a.	11.373	15.700	13.099	14.138	13.350	13.350	12.900	11.000	-
	Maximum % p.a.	13.855	15.700	13.922	14.199	13.350	13.350	13.289	13.591	-
	30 Years Maturity									
	(i) Amount Accepted	16,100	4,500	1,775	225	0	-	-	-	-
	(ii) Weighted Average Yield									
	Minimum % p.a.	11.588	14.608	13.551	14.186	0	-	-	-	-
	Maximum % p.a.	14.118	16.225	13.749	14.187	0	-	-	-	-

P : Provisional

Source: State Bank of Pakistan

* : PIBs were introduced in 2000-01

Note : Amounts includes non-competitive bids & short sale accomodation as well.