
Chapter 5

Money and Credit

During July-March FY 2024, Broad Money (M2) increased by Rs 2216.1 billion as compared to Rs 1211.5 billion during the same period last year. Year on year, it grew by 17.1 percent at the end of March compared to 13.4 percent during the same period last year. Within the M2, the banking system's Net Foreign Assets (NFA) expanded by Rs 529.7 billion, reflecting an improved balance of payments position with a contained current account deficit and bilateral coupled with multilateral foreign exchange inflows, leading to the country's growing foreign exchange reserves. Meanwhile, the banking system's Net Domestic Assets (NDA) increased by Rs 1686.5 billion. However, Private Sector Credit decelerated due to slow economic activities and high borrowing costs. Bank deposit mobilization increased by Rs 2703 billion. The Monetary Policy Committee maintained the policy rate at 22 percent in all its seven meetings held during July-April FY 2024. Despite high average inflation rate, it significantly decreased in April 2024 to 17.3 percent from its peak of 38 percent in May 2023. It is projected to decline further due to contained domestic demand, better agricultural production, a favorable global commodity price outlook, and a relatively stable exchange rate.

5.1 Background

Central banks worldwide have taken significant actions to combat historically high inflation. Following the 2008 global financial crisis, central banks in advanced economies eased monetary policy by reducing interest rates until short-term rates reached close to zero or even below zero, limiting options for additional cuts.

In response to the COVID-19 pandemic, central banks took actions to ease monetary policy, provide liquidity to markets, and maintain the flow of credit. More recently, to combat historically high inflation, central banks worldwide have tightened monetary policy by increasing interest rates. These measures reflect the global economic situation and the efforts being made to stabilize it.¹

After a period of tight global monetary policy in 2023, financial markets began anticipating a shift towards easing monetary policy as inflation approached central bank targets in most countries. Stock markets worldwide saw significant gains in Q1-2024, and major emerging market currencies and capital flows remained strong, indicating that short-term risks to global financial stability have diminished.²

However, medium-term vulnerabilities have increased. Both public and private debt continue accumulating in Advanced Economies (AEs) and Emerging Markets (EMs), which could worsen downside risks to growth prospects in adverse shocks. Major EMs continue to show resilience, as their central banks have adopted tight monetary policy stances aggressively and early. As a result, inflation has eased markedly, allowing some to begin cutting interest rates. However, many EMs are currently experiencing high actual refinancing costs relative to economic growth, raising concerns about medium-term fiscal and debt sustainability.

In Pakistan, the economy experienced a negative growth of 0.21 percent in FY 2023. However, it has shown signs of moderate recovery in FY 2024 with stability in the external sector. In the

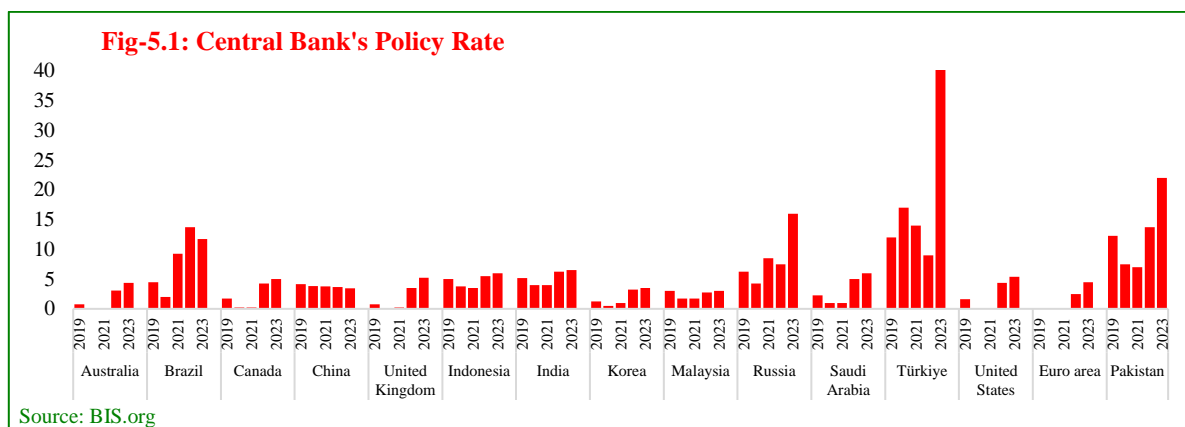
¹ <https://www.imf.org/en/About/Factsheets/Sheets/2023/monetary-policy-and-central-banking>

² Global Financial Stability Report-April 2024, IMF

first quarter of FY 2024, there was pressure on the exchange rate. Nevertheless, following structural reforms by the SBP and the government, the exchange rate remained relatively stable until May 2024. The SBP has maintained a tight monetary policy stance, keeping the policy rate at 22 percent during July-April FY 2024. This was done to control inflationary pressures as a tool of demand

management and economic stabilization policy.

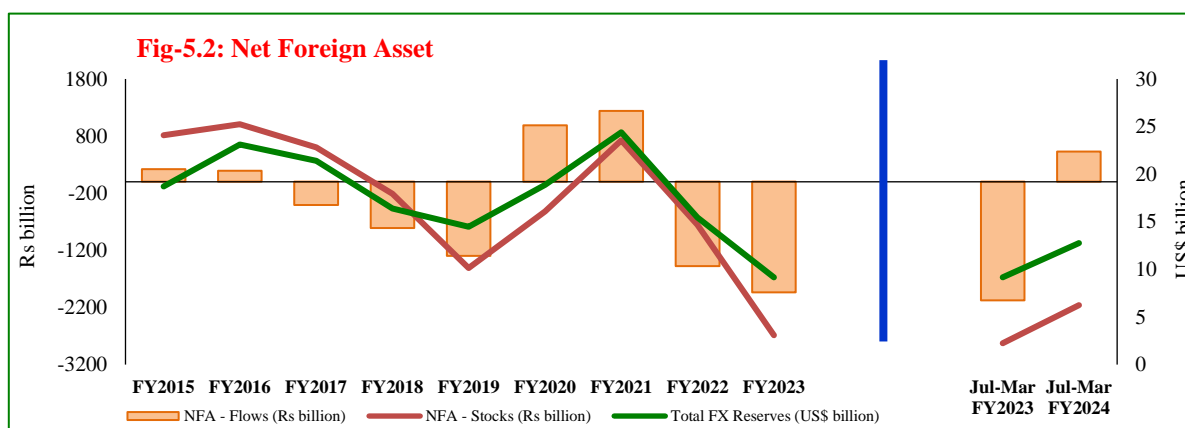
At the global level, it is expected that central banks will gradually move to a more neutral policy stance to achieve target inflation and maintain well-anchored inflation expectations. This will help to avoid premature monetary easing and overly optimistic expectations for early policy rate cuts alongwith prioritize fiscal and debt sustainability.³



5.2 Pakistan's Monetary and Credit Developments (Asset Side)

From July to March FY 2024, Broad Money (M2) grew by 7.0 percent to Rs 2216.1 billion, compared to a 4.4 percent increase to Rs 1211.5 billion during the same period last year. Year on year, it grew by 17.1 percent at the end of March compared to 13.4 percent during the same period the previous year. The increase in M2 came from both NFA and NDA. Within M2, the NFA of the banking system expanded by Rs 529.7 billion, contributing 1.7 percent to M2 growth,

compared to a decline of Rs 2,073 billion last year. This reflects the country's growing FX reserves due to an improved external sector with a reduced current account deficit and bilateral coupled with multilateral FX inflows. As Current account deficit contained significantly by 87.5% to \$0.5 billion during July-March FY 2024 (\$4.1 bn during same period last year). Similarly, Pakistan's total FX reserves increased by \$ 3.6 billion during the period under review against depletion of \$ 6.3 billion during same period last year.



³ World Economic Outlook-April 2024, IMF

On the other hand, the banking system's NDA increased by Rs 1686.5 billion (with a point contribution of 5.3 percent) as compared to Rs 3284.5 billion (a point contribution of 11.9

percent last year). NDA growth decelerated due to lower growth in private sector credit during the period under review.

Table 5.1: Monetary Aggregates (Assets of Banking System) Rs billion

	FY 2023 (Stocks)	Flows			
		FY22	FY23	Mar-24	Mar-23
Net Foreign Assets (NFA)	-2687.7	-1478.0	-1934.5	529.7	-2073.0
Net Domestic Assets (NDA)	34211.0	4782.9	5855.1	1686.5	3284.5
Net Government Borrowing	23723.1	3357.7	4100.2	3823.5	2394.6
Borrowing for budgetary support	22254.4	3133.0	3747.9	4187.0	2419.4
from SBP	5250.1	-191.1	108.7	-654.4	411.3
from Scheduled banks	17004.3	3324.1	3639.3	4841.4	2008.1
Credit to Private Sector	9167.1	1612.1	208.3	187.9	299.5
Credit to PSEs	1687.2	-43.3	293.7	7.5	195.3
Broad Money	31523.3	3304.9	3920.6	2216.1	1211.5
Reserve Money	11419.8	663.1	2093.2	-252.5	822.3
Growth in M2 (%)		13.6	14.2	7.0	4.4
Reserve Money Growth (%)		7.7	22.4	-2.2	8.8

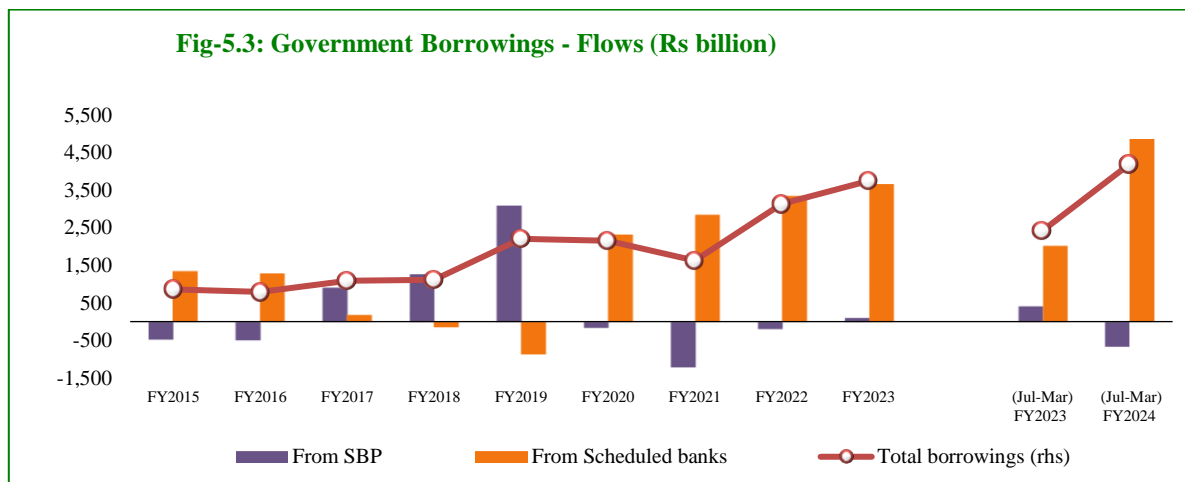
Source: SBP

Reserve Money (RM) observed negative growth of 2.2 percent during July-March FY 2024, against positive growth of 8.8 percent during the comparable period last year. Within RM, SBP's NFA increased by Rs 451.4 billion, compared to a decline of Rs 1665.8 billion last year. The positive NFA growth has been offset by negative NDA of SBP due to substantial retirement to SBP under net government sector borrowing.

5.2-a Government Borrowing

During July-March FY 2024, the Government sector borrowing for budgetary support posted

an expansion of Rs 4,187 billion compared to the borrowing of Rs 2,419 billion during the same period last year. During this period, the budget deficit amounted to Rs 3902 billion, of which around 87 percent was financed through the domestic banking system. Within government budgetary borrowing, the government has retired Rs 654 billion to SBP against borrowing of Rs 4841 billion from the scheduled banks. Therefore, net government sector borrowing stood at Rs 3823 billion as compared to borrowing of Rs 2394 billion during the same period last year.



5.2-b Commodity Finance

Commodity operation means advances provided either to the Government, public-sector corporations, or the private sector for the procurement of commodities such as cotton, rice, wheat, sugar, fertilizer, etc. Both federal and provincial governments borrow from scheduled banks to finance their purchases of commodities.⁴ The proceeds from the sale of such commodities are subsequently used to retire commodity borrowing.

During FY 2023, net borrowing for Commodity finance increased by Rs 352 billion (31 percent) compared to Rs 229.7 billion (25.4 percent) in FY 2022. During the period July-March FY 2024, loans for commodity finance witnessed net retirement of Rs 362 billion, compared to a net retirement of Rs 22 billion during the same period last year.

During July-March FY 2024, a net retirement of Rs 427.7 billion was observed under wheat financing, compared to a net retirement of Rs 58.5 billion during the same period last year. This shows the seasonal behavior and higher retirement reflected in the previous year's heavy borrowing of Rs 300 billion – which was entirely concentrated in Q4-FY 2023. Borrowing by wheat procuring agencies dominated this expansion, mainly due to an increase in wheat Minimum Support Price (MSP) to incentivize farmers. Higher retirement is primarily from provincial governments, which amounted to Rs 365 billion during the period under review. Moreover, loans for sugar financing witnessed a net retirement of Rs 1.0 billion compared to net borrowing of Rs 23.5 billion during the same period last year (as the government allowed sugar mills to export 250,000 MT of sugar in January 2023). Fertilizer financing showed a net borrowing of Rs 67.4 billion against a net borrowing of Rs 12.7 billion during a comparable period last year. In FY 2024, the domestic shortage of fertilizers required allowances to import to fulfill demand.

5.2-c Credit to Private Sector⁵

During FY 2023, Private Sector Credit (PSC) increased by Rs 208 billion (a growth of 2.3 percent) against borrowing of Rs 1330 billion (a growth of 17.4 percent) in FY 2022. PSC remained decelerated during FY 2023. The trend continued during July-March FY 2024; PSC demonstrated an expansion of Rs 188 billion (a YoY growth of 1.0 percent) against the expansion of Rs 300 billion (an increase of 5.0 percent) during the same period last year.

The deceleration in PSC is due to slow economic activities, an uncertain economic environment, and high borrowing costs—besides an increase in the policy rate, the rates on the Export Finance Scheme (EFS) and Long Term Finance Facility (LTFF) were linked with the policy rate.

During July-March FY 2024, within PSC, private sector businesses' credit demand increased by Rs 307.8 billion compared to Rs 271.1 billion during the same period last year. Within total loans, the manufacturing sector has availed the highest share of total loans, amounting to Rs 294.7 billion (96 percent of loans). For the manufacturing sector, rice processing and manufacturing of sugar have availed Rs 52.4 billion and Rs 193.3 billion, respectively, leading the growth in working capital loans – which has observed expansion of Rs 275.7 billion during the period under review against borrowing of Rs 113.3 billion in last year.

However, the demand for borrowing under fixed investment loans was lower at Rs 47.2 billion in July-March FY 2024, compared to an offtake of 147.5 billion in the same period last year. High borrowing costs, import restrictions on raw material and plant and machinery, weak medium-term business prospects, lack of clarity on the policy front due to political uncertainty, and rationalization of subsidized LTFF contributed to this sluggish trend.

⁴ Glossary, Monthly Statistical Bulletin, SBP

⁵ Islamic Financing, Advances (against Murabaha etc), Inventories and other related Items previously reported under Other Assets have been reclassified as credit to private sector.

Table 5.2: Loans to Private Sector Business flows-By Type of Finance Rs billion

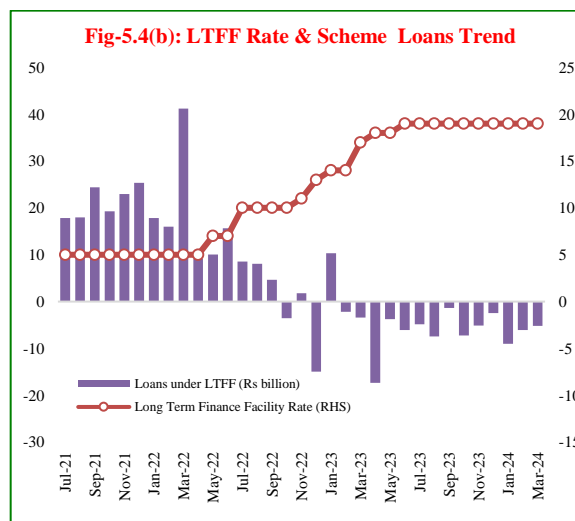
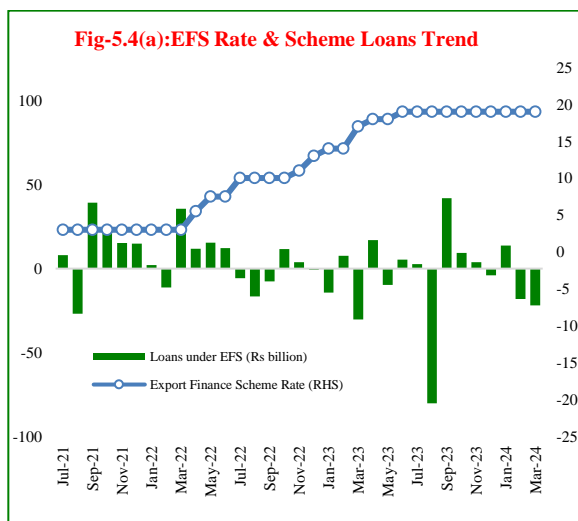
Based on ISIC 4 Classifications of Private Sector Businesses	Total credit		Working capital		Fixed investment		LTFF		EFS	
	Jul-Mar FY2023	Jul-Mar FY2024	Jul-Mar FY2023	Jul-Mar FY2024	Jul-Mar FY2023	Jul-Mar FY2024	Jul-Mar FY2023	Jul-Mar FY2024	Jul-Mar FY2023	Jul-Mar FY2024
Loans to Private Sector Business	271.14	307.81	113.33	275.69	147.53	47.19	9.32	- 48.82	- 52.31	- 52.74
A. Agriculture, forestry, and fishing	12.53	47.82	-1.19	0.91	13.81	47.03	0.11	1.11	-0.25	0.86
B. Mining and quarrying	4.48	-2.76	7.29	-0.56	-2.81	-2.20	-	-0.01	-0.07	0.24
C. Manufacturing	277.29	294.71	139.49	286.08	136.06	12.19	11.02	- 50.00	- 44.52	- 49.77
Manufacture of food products	84.15	229.44	89.09	236.48	-5.07	-6.61	0.18	-3.59	-2.14	-7.57
b- Rice Processing	49.95	52.37	47.56	52.26	2.46	0.17	-0.15	-1.18	-1.49	-5.47
Manufacture of sugar	61.76	193.29	68.18	195.71	-6.75	-2.37	0.37	0.69	-0.09	-1.07
Manufacture of textiles	145.90	26.70	100.44	16.27	46.29	9.21	-4.45	- 32.14	- 23.57	- 19.80
Manufacture of essential metals	-33.08	27.82	- 36.87	33.23	3.93	-5.33	2.45	-1.12	-4.02	-0.42
Manufacture of electrical equipment	- 25.49	25.01	- 27.32	26.62	-0.19	-1.53	1.94	-0.47	-0.32	-0.09
D. Electricity, gas, steam, and air conditioning supply	- 10.70	- 76.97	-1.75	- 43.29	-9.07	- 33.56	-1.29	0.69	-	-0.30
E. Water supply; sewerage, waste management, and remediation activities	-8.36	10.88	-8.26	7.81	-0.09	3.11	-	-	-	-
F. Construction	7.22	4.20	9.40	5.72	1.67	-1.24	1.14	-0.03	-	-
G. Wholesale and retail trade; repair of motor vehicles and motorcycles	- 28.23	66.70	- 24.38	52.64	- 16.79	15.10	-2.00	-0.02	-6.29	1.15
Wholesale trade, except for motor vehicles and motorcycles	-7.29	40.08	-7.04	32.78	- 10.91	7.55	0.60	-0.28	-4.16	0.47
Retail trade, except for motor vehicles and motorcycles	- 13.98	28.78	- 12.42	22.07	-3.83	7.50	-0.68	0.26	-2.12	0.73
H. Transportation and storage	-7.78	0.22	-0.93	0.86	-6.80	-0.41	0.17	1.74	-0.00	-0.08
J. Information and communication	45.91	-2.98	9.38	- 10.00	35.43	7.26	-0.18	-1.77	0.88	-2.63
K. Real estate activities	-1.52	-2.54	-0.20	0.32	-3.06	-0.22	-0.00	-0.00	-	-
L. Professional, scientific, and technical activities	2.31	-3.69	0.70	-3.02	0.95	-0.66	0.04	-0.09	-0.18	-1.50
M. Administrative and support service activities	-2.97	-3.21	-8.38	-6.20	5.52	2.99	-0.07	0.00	-1.12	-0.47
N. Education	-3.78	-5.40	-1.12	-3.42	-0.72	0.21	-0.16	0.01	-	-
O. Human health and social work activities	-2.08	-0.26	-0.43	-0.16	-1.01	1.14	-0.13	-0.30	-	-
P. Arts, entertainment and recreation	-1.08	-0.26	-0.22	-0.07	-1.19	-0.06	-	-	-	-
Q. Other service activities	-8.84	- 21.21	-4.94	- 12.06	-3.04	-7.62	-0.01	-0.17	-0.53	-0.36

1. Classification of Private Sector - Business based on International Standard Industrial Classification (ISIC), Rev. 4 of United Nations adopted in June 2019.
2. Islamic Financings, Advances (against Murabaha, etc.), and related items previously reported under Other Assets have been reclassified as a credit to the private sector as of June 2014.
3. Concerning Infrastructure, Housing & SME Finance Department Circular No. 10 of 2020 dated 15th July 2020 and Statistics & Data Warehouse Department Circular No. DS.MFS. 013814/20 dated 4th December 2020, a new category, "Construction Finance," has been added to "Loans Classified (By Type of Finance)" from June 2020 onwards.
4. From July 2022 onwards, the Loans Classified by Borrowers (type of finance) format has been reorganized/ renamed under working capital/ short term, fixed investment/ long term, and foreign bills purchased and discounted to facilitate data users.

Source: State Bank of Pakistan

After linking the EFS and LTFF rates with the policy rate, there is a significant decline in credit

demand for both schemes loan due to the high cost of borrowing (Fig 5.4 a & b).

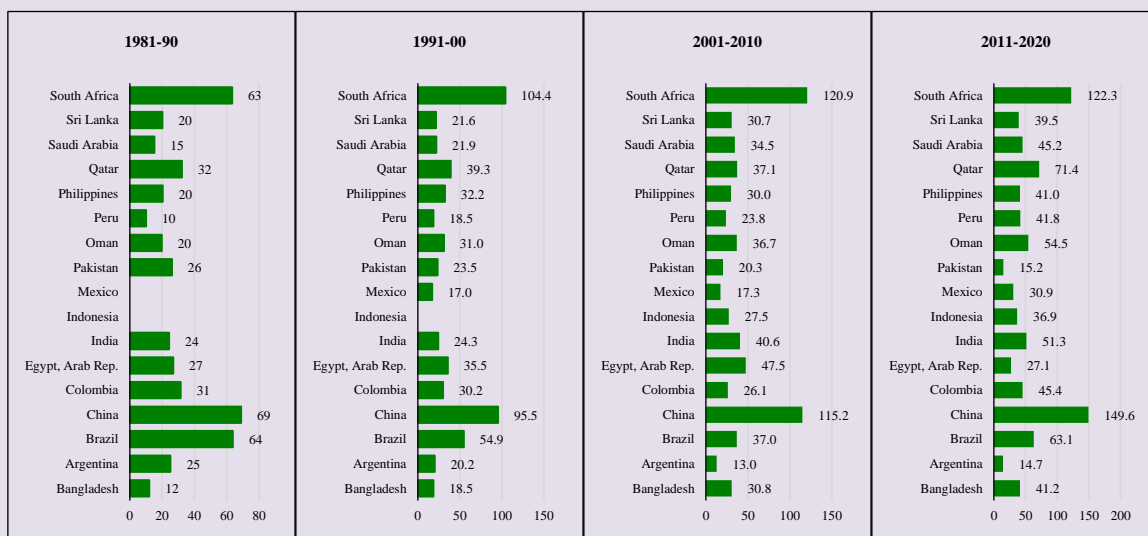


Box-I: Role of Private Sector and Economic Growth

In the contemporary world, the private sector has been recognized as the key player in economic development because it drives economic growth by contributing to investment, employment, and business creation. The multiplier effects from private sector activities ensure this growth and contribute to poverty reduction in the long run. However, the strength of the private sector lies in effective governance for a conducive business environment, which in turn enhances private sector growth and competitiveness.

Over the decades, Pakistan's credit to GDP ratio has been cautiously declining. It is one of the lowest in the region, which hampered growth prospects and impacted poverty and employment generation. Both demand and supply side factors are responsible for suppressing private sector credit in Pakistan – the high cost of borrowing, low financial deepening and awareness, low participation of the private sector in gross capital formation within the region, the impact of crowding out, and structural issues like energy crises and banks preference to lend only blue-chip corporates.

Fig-5.5: Pakistan's Relative Standing in Credit-to-GDP Ratio Across Decades Against Selected EMDEs⁶



Source: World Development Indicators, World Bank

5.2-d Consumer Finance

Consumer loans have followed a declining path during July-March FY 2024, with auto loans having a dominant share in the total portfolio historically – shows net retirements due to the continuation of stringent prudential regulations (in terms of tenor, down payment, exposure cap, etc.) and persistently high interest rates, despite relaxation in imports of inputs. During July-March FY 2024, loans for consumer financing witnessed a net retirement of Rs 52.6 billion (negative growth of 6.1 percent) compared to a net retirement of Rs 21.1 billion (negative growth of 2.3 percent) during the same period last year. Housing and construction finance declined amid a rise in the cost of production,

rising domestic policy uncertainty, and a slowdown in construction activities.

Table 5.3: Consumer Financing (Rs billion)

Description	July-March (Flows)		Growth (%)*	
	FY23	FY24	FY23	FY24
Consumer Financing	-21.1	-52.6	-2.3	-6.1
1) For house building	14.1	-6.6	7.0	-3.1
2) For transport, i.e., purchase of a car	-50.9	-54.3	-13.8	-18.5
3) Credit cards	16.4	18.7	22.6	19.9
4) Consumers' durable	-0.5	0.1	-6.2	1.9
5) Personal loans	-0.3	-10.6	-0.1	-4.2

* Growth is calculated based on stocks

Source: State Bank of Pakistan

⁶ Data for Indonesia is available since 2009

5.3 Monetary Liabilities

Monetary Liabilities include currency in circulation, demand deposits, time deposits, and Resident Foreign Currency Deposits.

5.3-a Currency in Circulation (CIC) and Deposits

During July-March FY 2024, CIC lowered by Rs 498 billion (negative growth of 5.4 percent) compared to an increase of Rs 699 billion (growth of 9.2 percent) during the same period last year.

During the period, Bank Deposits mobilization (including demand, time, and Resident Foreign

Currency Deposits (RFCD)) has observed an increase of Rs 2703 billion (with significant growth of 12.1 percent) against deposits of Rs 512 billion (growth of 2.6 percent) during the same period last year. Within deposits, demand deposits increased by Rs 2516 billion compared to an increase of Rs 492.7 billion during the same period the previous year. At the same time, time deposits increased by Rs 217.5 billion compared to a decline of Rs 251.7 billion last year. This impetus has derived from favorable returns on bank deposits – leading to an improvement in the currency-to-deposit ratio (CDR) to 34.7 percent from 40.5 percent at the end of March 2023.

Table 5.4: Monetary Aggregates (Liability Side of the Banking System) Rs billion

Items	End June-Stocks		Flows		End March-Stocks		July-March (flows)	
	2022	2023	2022	2023	2022-23	2023-24	2022-23	2023-24
A. Currency in Circulation	7,572	9,149	663	1,576	8,271	8,651	699	-498
<i>Deposit of which:</i>								
B. Other Deposits with SBP	95	112	27	17	96	123	1	11
C. Total Demand & Time Deposits incl. RFCDs	19,935	22,262	2,615	2,328	20,446	24,965	512	2,703
of which RFCDs	1,213	1,527	167	314	1,483	1,497	271	-30
Monetary Assets Stock (M2) A+B+C	27,603	31,523	3,305	3,921	28,814	33,739	1,212	2,216
Memorandum Items								
Currency/Money Ratio	27.4	29.0			28.7	25.6		
Other Deposits/Money ratio	0.3	0.4			0.3	0.4		
Total Deposits/Money ratio	72.2	70.6			71.0	74.0		
RFCD/Money ratio	4.4	4.8			5.1	4.4		
Income Velocity of Money	2.4	2.7			-	-		

Source: State Bank of Pakistan

5.4 Monetary Management

During July-March FY 2024, liquidity requirements of the interbank money market remained substantially higher than last year on account of the high policy rate environment, which transferred pressure on scheduled repayments for both domestic and external debt.

This effect is somewhat compensated by deposit mobilization and low currency in circulation. The government's increased reliance on scheduled banks for its financing needs affected the liquidity conditions of commercial banks. Therefore, the average outstanding OMO stood at Rs 9269.7 billion compared to Rs 6368.5 billion during FY 2023.

Table 5.5: Average Outstanding Open Market Operations¹ Rs billion

	FY20	FY21	FY22	FY23	FY24
Full Year	1,103.2	1,291.1	2,615.3	6,368.5	9,269.7
Q1	1,337.7	1,048.3	2,127.2	5,323.0	8,993.4
Q2	912.8	822.8	1,875.0	5,436.1	8,704.2
Q3	892.4	1,158.0	2,641.8	6,520.5	10,111.4
Q4	1,270.0	2,135.2	3,817.3	8,194.6	

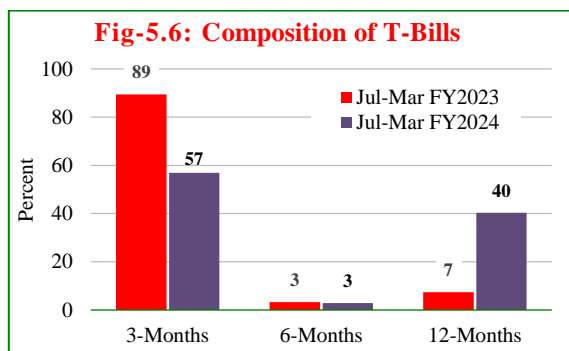
¹: The data does not include the impact of outright OMOs.

Note: (+) amount means net injections. (-) amount means net mop-up.

Source: State Bank of Pakistan

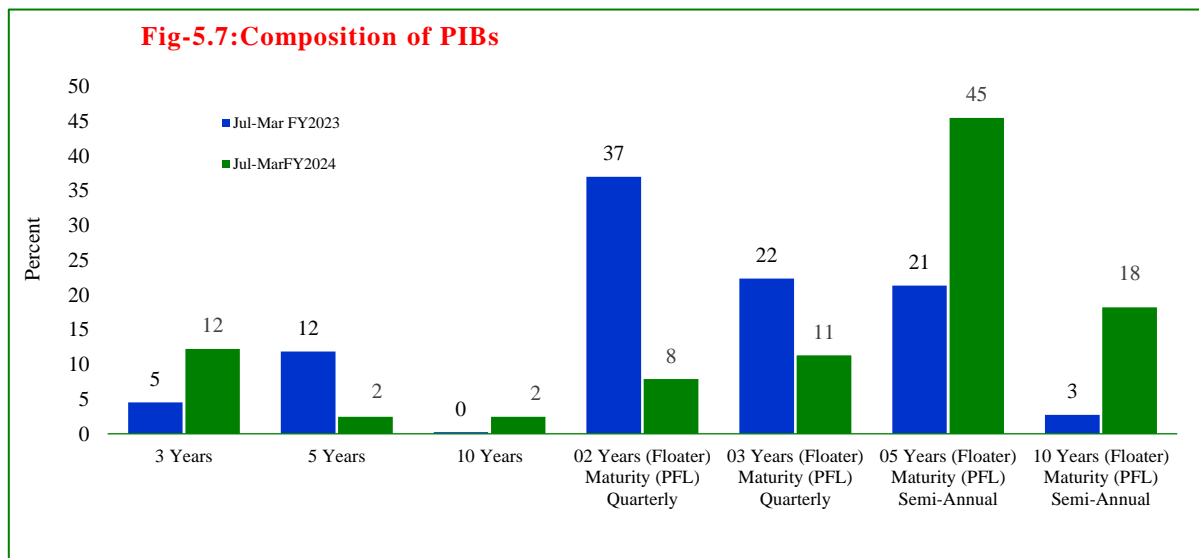
5.4-a T-Bills Auction

In primary auctions for T-Bills, the market offered a significantly higher amount- around 74 percent to Rs 50,019 billion during July-March FY 2024 as compared to Rs 28,808 billion during the same period last year – on account of historic high policy rate attraction. Against the offered amount, the government raised Rs 19,707 billion (39 percent of the offered amount) at a substantially higher rate compared to last year's accepted amount of Rs 15,514 billion (54 percent of the offered amount). Within the accepted amount, around 57 percent of outstanding T-bills comprised 3-months (with a Weighted Average Rate (WAR) of 22 percent), followed by 40 percent for 12- months (WAR of 23 percent) and just 3.0 percent under 6-months (WAR of 23 percent).



5.4-b Pakistan Investment Bonds (PIBs) Auction

Under PIBs, the market has offered Rs 16,023 billion (49 percent higher) compared to last year (Rs 10,767 billion). Within the offered amount, the market provides Rs 3,658 billion under fixed rate PIBs, which is around 23 percent of the offered amount compared to Rs 3,587 (33 percent). Meanwhile, the market has offered Rs 12,365 billion for floaters (77 percent of the offered amount) compared to Rs 7,179 billion (67 percent of the offered amount). Due to high policy rate environment, the government has accepted Rs 1256 billion from fixed coupon PIBs (17 percent of the total accepted amount) compared to 16 percent last year. Within tenor, 03 Years PIBs dominated 72 percent of the fixed PIBS amount, followed by 14 percent for both 05 and 10 Years). However, for floaters, government has accepted Rs 6070 billion (83 percent of the total accepted amount) compared 82 percent during the same period last year. Within floaters, 5Ys and 10Ys semi-annual floaters are major contributors by 54.9 and 22 percent in total accepted amount.



5.5 Monetary Policy Stance in Pakistan

FY 2023 was a challenging year for the economy, experiencing a tough macroeconomic

environment. Real GDP saw a contraction, CPI inflation soared to a multi-decade high – increase in inflation expectations, historic high both

global and domestic policy rates increased pressure on interest payments (increased by 100 percent), external accounts under stress despite lower current account deficit – low external inflows, which kept FX reserves (depletion of US\$ 6.3 bn) and exchange rate under pressure (PKR depreciation of 29 percent). The devastating flood and rising geopolitical tensions further aggravated the situation. These challenges warranted some prudent and stabilization policies. Aiming to this, SBP continued tightening monetary policy, which started in September 2021. Cumulatively, the policy rate increased by 825 basis points (bps) during FY 2023 to 22 percent, of which 225 bps in H1 and 600 bps in H2 (owing to a persistent rise in core inflation, entrenchment of inflation expectations, revised upward inflation projection, and growing external account pressures).

Despite a persistent monetary policy stance during FY 2023, headline and core inflation remained on an upward trajectory, amid soaring food inflation due to supply constraints emanating from flood damages and adjustments in administered prices. Moreover, tightened global financial conditions, PKR depreciation, domestic economic uncertainty, and fiscal consolidations also weighed on inflation numbers.

In FY 2024, tight monetary stance has been continued, and MPC has maintained the policy rate at 22 percent in its last seven consecutive monetary policy meetings during July-April FY 2024, considering inflation projections and outcomes, global and domestic developments, external sector stability, fiscal consolidation efforts, performance of high-frequency indicators and growth outlook.

Despite a tight monetary policy stance-inflationary pressures persist, mainly due to the high-interest rate failure to discourage credit creation and thereby aggregate demand as most

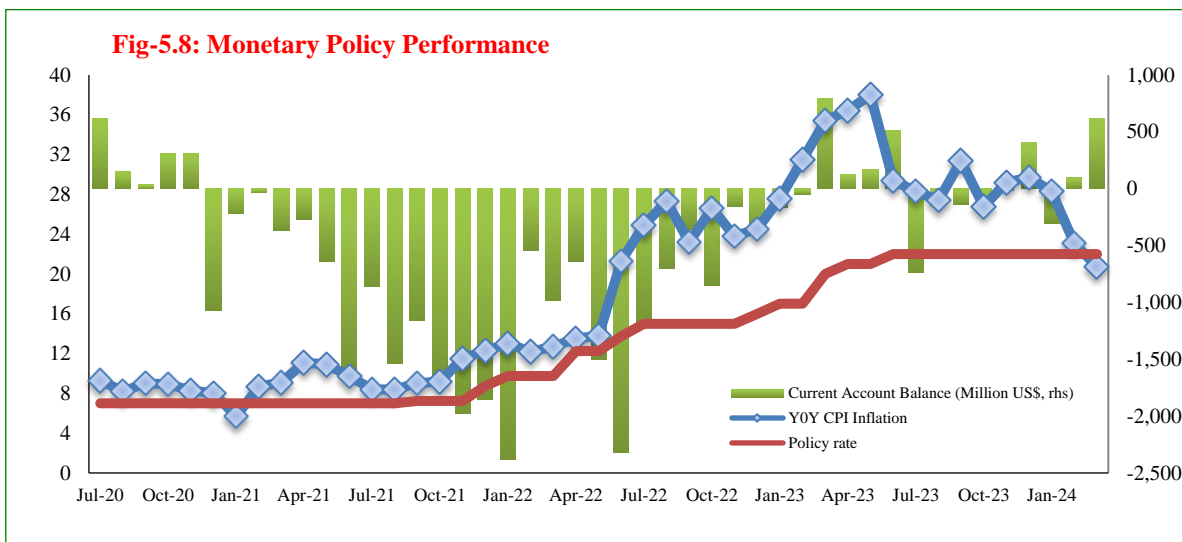
of the banks' credit is taken by the government, which has an inelastic demand for funds. High fiscal deficit caused by high-interest payments further increased the demand for credit by the government, leading to an expansion of the money supply despite the high-interest rate regime. Moreover, economic uncertainty also impacted aggregate demand. It fueled inflation, along with weak administrative controls, led to spatial price differences and widening retail-wholesale price margins, which diluted the effects of the tight monetary policy.

Table 5.6: Policy Rate

w.e.f	Policy rate
26/06/2020	7.00
21/09/2021	7.25
22/11/2021	8.75
15/12/2021	9.75
08/04/2022	12.25
24/05/2022	13.75
13/07/2022	15.00
28/11/2022	16.00
24/01/2023	17.00
03/03/2023	20.00
05/04/2023	21.00
27/06/2023 till date	22.00

Source: State Bank of Pakistan

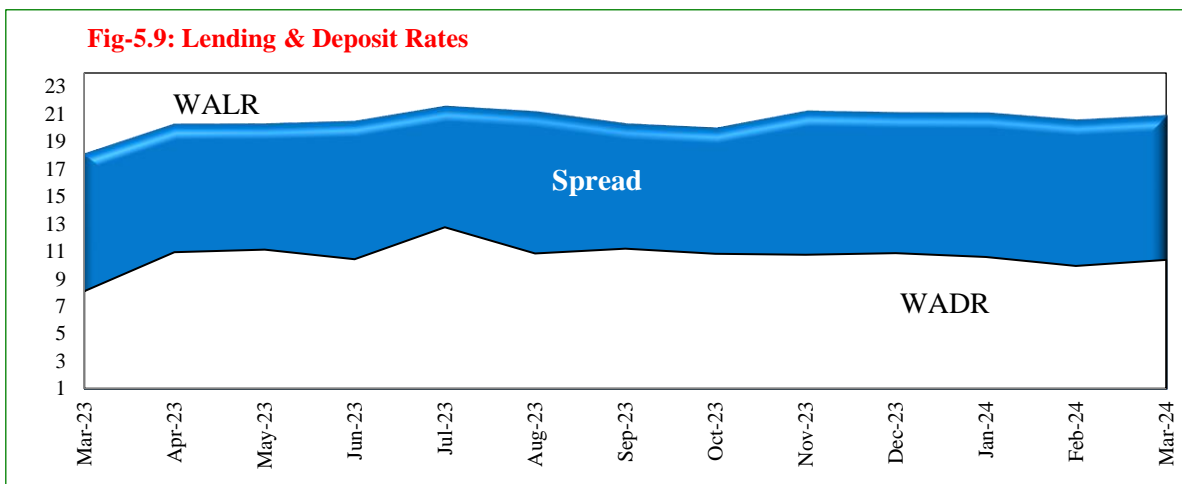
From the empirical analysis, it has been found that the inflation rate in Pakistan is driven by the depreciation of the domestic currency against foreign currencies, followed by the growth in M2. Since January 2024, inflation has been on a downward trajectory. In its 29th April 2024 Meeting, the Monetary Policy Committee (MPC) considered that macroeconomic stabilization policies contribute to considerable improvement in both inflation and external position amidst moderate economic recovery. However, the MPC has considered some downside risks: recent geopolitical events have added uncertainty, and upcoming budgetary measures may affect the near-term inflation outlook. The MPC provides inflation projections to the target range of 5 – 7 percent by September 2025.



5.5-a Banking Spread

During the first nine months of FY 2024, the tight monetary policy stance at a historic high policy rate of 22 percent has been translated on the Weighted Average Lending Rate (WALR), which has increased to 20.8 percent in March 2024 from 17.98 percent in March 2023. Similarly, the Weighted Average Deposit Rate

(WADR) offered on fresh deposits also increased from 8.09 percent in March 2023 to 10.4 percent in March 2024. Accordingly, the banking spread, the difference between the lending and deposit rates, and the cost of channeling funds through intermediaries increased from 9.9 percent in March 2023 to 10.4 percent in March 2024.



Box-II: Impact of Monetary Policy on Inflation and Growth

Owing to the post-pandemic pent-up demand, supply chain restrictions, and the Russia-Ukraine conflict, inflation rose strongly to historic highs in many advanced and emerging market economies in 2022 and 2023. Most central banks did not respond to inflation initially, considering inflation as transitory. At the same time, some emerging economies started tightening the monetary policy earlier to respond to the second round effect of aggregate supply shock. Inflation surprised central banks and analysts and rose considerably after that, prompting central banks to initiate one of the steepest and most synchronized monetary tightening cycles to prioritize inflation over economic growth, as the medium to long-run gains of low and stable inflation far outweigh the short-run costs to growth.

Moreover, supportive fiscal measures were also withdrawn globally, excluding the EU and England, where the government-provided energy subsidies to insulate the public from souring gas tariffs following the cutting off of supplies from Russia.

Fiscal consolidation from FY 2023 onwards, though it had some short-run inflation consequences, eventually started to supplement SBP’s effort to moderate the aggregate demand and anchor inflation expectations. The coordinated policy response in Pakistan helped to reduce inflation significantly to 17.3 percent in April 2024 from its peak of 38 percent recorded in May 2023. As stipulated in the latest MPS, inflation is expected to reduce further towards a medium-term inflation target of 5-7 percent by September 2025.

Table 5.7: Key Policy rate, Inflation, M2, and Growth in key trading partners and regional economies (in %)

	GDP growth in 2023	Inflation (avg.) in 2023	M2 Growth in 2023	Latest Inflation*	latest M2 Growth Rate (YoY)	Latest Interest Rate	Inflation Target
Pakistan	-0.2	29.2	14.2	17.3	15.7	22	5-7
Key trading partners of Pakistan							
U. S. A.	2.1	4.1	-3.8	3.2	-0.29	5.5	2
China	5	0.7	11.6	0.7	8.7	3.45	3
Germany	-0.5	6.3	0.9	2.4	-0.9	4.5	0 - 2
Saudi Arabia	0.8	2.5	8.3	1.8	10.5	6	-
U. A. E.	3.4	3.1	14.4	3.6	17.9	5.4	-
Japan	2	3.2	2.3	2.8	2.5	0	2
Regional Economies							
India	6.3	5.5	12.2	5.1	6.5	6.5	2-6
Vietnam	4.7	3.4	8	4	11.2	4.5	4.0
Bangladesh	6	9	10.5	9.7	8.9	6.5	7.5

Source: Haver analytics, WEO database
 *: Data for inflation is for March 2024 or the latest available month

The tightened monetary policies across the globe have led to a reduction in inflation from peak levels (Table 5.7). However, in many advanced and emerging market economies, the progress on inflation going forward is uncertain due to persistent core inflation, which necessitates a cautious policy against market expectations to hold policy interest rates unchanged for a while, as premature easing may reignite inflationary pressures. EMDE central banks, which were easing monetary policy earlier, have also become more cautious in their latest policy decisions, whereas some vulnerable EMDEs are again increasing their policy rates.

Empirical global macroeconomic studies suggest that monetary policy implementation impacts economic activity in 1 to 6 quarters and affects inflation with a considerable lag, i.e., within eight quarters. Specifically, macroeconomic studies suggest that a 100 bps increase in interest rate reduces growth in the range of 0.2 to 1.0 percentage points (ppt), while inflation in the range of 0.2 to 0.5 ppt. This implies a higher growth sacrifice ratio in the short term. However, the medium- to long-run benefits accruing from inflation stabilization policies have a significant positive impact on achieving and maintaining growth at higher levels.

Significant variations in monetary policy transmission across countries depend on prevailing macroeconomic and structural conditions like Exchange Rate Regime, Financial development, central bank transparency, Fiscal Policy, Business Cycle, etc. Empirical study finds that monetary policy is more effective in countries with flexible exchange rate regimes, more developed financial systems, and credible monetary policy frameworks. Moreover, economic policy transmission is more robust when uncertainty is low and fiscal-monetary policies are well coordinated to fight against inflation.

Source: State Bank of Pakistan

5.6 Financial Sector

To create a conducive and thriving environment for the banking industry, the SBP continued to operate within its regulatory and supervisory ambit during FY 2024.

5.6-a Financial Performance and Standing of the Banking Sector

Pakistan's banking sector exhibited steady performance, reflected in the critical financial soundness indicators related to capital adequacy, earnings, and asset quality. The assets base of the

sector grew by 29.5 percent (YoY basis) in CY23 to reach Rs 46.4 trillion by the end of December 2023. The expansion was mainly driven by investments (largely government securities), while the growth of advances moderated. The share of investments in total assets rose to 56.1 percent by the end of December 2023 from 51.4 percent at the end of December 2022, while advances declined to 26.3 percent from 33.0 percent at the end of December 2022.

Asset quality indicators show that the NPLs-to-loans ratio slightly increased to 7.6 percent by

Dec-23 (7.3 percent at the end of Dec-22). After-tax earnings of the banking sector for CY23 surged by 90.9 percent (YoY) to Rs 642.2 billion from Rs 336.5 billion in CY22. Accordingly, baseline indicators also improved over the year. Solvency indicators such as Capital Adequacy Ratio (CAR) improved to 19.7 percent by the end of December 2023 from 17.0 percent at the end of December 2022, mainly due to higher earnings and muted growth in risk-weighted assets (RWAs) vis-à-vis growth in capital. The prevailing CAR is well above the domestic and international minimum benchmarks of 11.5 percent and 10.5 percent, respectively.

Table 5.8: Highlights of the Banking Sector Industry

	CY17	CY18	CY19	CY20	CY21	CY22	CY23
Key Variables (Rs. billion)							
Total Assets	18,342	19,682	21,991	25,124	30,058	35,796	46,364
Investments (net)	8,729	7,914	8,939	11,935	14,554	18,400	26,019
Advances (net)	6,512	7,955	8,249	8,292	10,121	11,818	12,178
Deposits	13,012	14,254	15,953	18,519	21,720	23,461	29,128
Equity	1,381	1,406	1,658	1,862	1,942	2,086	2,787
Profit Before Tax (ytd)	267	243	304	411	451	703	1,287
Profit After Tax (ytd)	158	149	171	244	264	336	642
Non-Performing Loans	593	680	761	829	860	924	995
Non-performing loans (net)	76	110	141	97	75	97	73
Key FSIs (%)							
NPLs to Loans (Gross)	8.4	8	8.6	9.2	7.9	7.3	7.6
Net NPLs to Net Loans	1.2	1.4	1.7	1.2	0.7	1	0.6
Capital Adequacy Ratio (all banks)	15.8	16.2	17	18.6	16.7	17	19.7
Advances in Deposit Ratio	50.1	55.8	51.7	44.8	46.6	50.4	41.8

Source: State Bank of Pakistan

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

5.6-b Financial Development

Financial sector development is an essential determinant of economic development. It promotes economic growth through capital accumulation and technological progress by increasing the savings rate, mobilizing and pooling savings, producing investment information, facilitating and encouraging foreign capital inflows, and optimizing capital allocation.

Financial development (i.e., financial depth) can be measured by different macroeconomic variables such as domestic credit to the private sector as a percentage of GDP, money supply measures, and stock market indicators. In Table 5.9, financial depth is measured by the M2/GDP ratio, which is widely used as an indicator of a deepening financial sector, where higher values represent a more developed financial sector.

This ratio stood at 31.8 percent at the end of March 2024 compared to 34.4 percent at the end of March 2023.

Table 5.9: Financial Depth

Years	M2/GDP
2010-11	36.6
2011-12	38.1
2012-13	39.6
2013-14	39.6
2014-15	41.0
2015-16	44.1
2016-17	45.7
2017-18	46.2
2018-19	40.6
2019-20	44.0
2020-21	43.5
2021-22	41.4
2022-23	37.5
End March	
2022-23	34.4
2023-24	31.8

Source: EA Wing Calculation, Finance Division

5.6-c Financial Sector Reforms during July-March FY 2024

1. Regulatory and Supervisory Reforms

i. National Risk Assessment (NRA) on Money Laundering & Terrorist Financing -2023

SBP conducted the inherent vulnerability assessment of SBP-regulated sectors, i.e., Banks, MFBs, DFIs, and Exchange Companies, as part of the National Risk Assessment (NRA) 2023. The NRA was approved in August 2023 and shared with the relevant stakeholders for necessary action.

ii. Deposit Protection Corporation (DPC) Provided its First Support to Depositors and Financial System – Reimbursement to SME Bank’s Depositors

Recently, owing to insufficient capital and liquidity, the Federal Government approved a winding down plan for the SME Bank as proposed by the SBP to ensure that no depositor is adversely affected by the bank's closure. Regarding SBP’s proposed plan, payout to all the depositors of SME Bank was initiated on a priority basis to maintain depositors’ confidence in the banking system, and around 93 percent of total protected deposits have been paid till March 2024.

iii. Branchless Banking Regulations for Financial Institutions

Banks and Microfinance Banks (MFBs) offering Branchless Banking (BB) services were instructed to enhance measures against money laundering and terrorist financing risks. This includes implementing Biometric Verification (BV) for account and wallet holders during cash transactions at BB agents' locations starting January 31, 2024. They were also advised to prioritize BV device deployment in high TF-risk areas and upgrade their Automated Transaction Monitoring Systems (ATMS) to flag suspicious transactions and facilitate evidence gathering for criminal investigations.⁷

iv. Facilitation Framework - Benazir Income Support Programme (BISP) Sahulat Account

To include BISP beneficiaries in the formal financial sector and enable them to receive their financial assistance directly into their bank accounts, the initiative begins with a pilot phase in Karachi and Lahore. Following successful implementation and potential adjustments to the framework, plans are for expansion to other cities.⁸

2. Foreign Exchange Operations

i. Structural Reforms in the Exchange Companies Sector

To strengthen the regulatory and supervisory regime, SBP introduced structural reforms in the Exchange Companies (ECs) sector to improve the quality of governance, internal controls, and compliance with laws and regulations. As a part of these reforms, the SBP decided that various types of ECs would be consolidated and transformed into a single category with a well-defined mandate. As a result, SBP provided the following options to ECs-B and franchises of ECs: Conversion of ECs-B into full-fledged ECs and conversion of franchises into branches of the ECs.⁹ Moreover, to strengthen the solvency of ECs and enable them to have robust infrastructure and systems, the minimum paid-up capital requirement of ECs was enhanced from Rs 200 million to Rs 500 million (free of losses).¹⁰ These reforms were introduced to bring transparency and competitiveness to the EC sector and provide better services to the general public.

ii. Facilitation of IT Based Exporters/ Freelancers:

To encourage the exporters of Software, Information Technology (IT) and IT enabled Services (ITeS), and freelance services to boost their export earnings and bring additional foreign exchange into the country, SBP increased the retention limit in Exporters’ Special Foreign Currency Account (ESFCA)

⁷ BPRD Circular Letter No. 20 of 2023

⁸ BPRD Circular No. 01 of 2024

⁹ FE Circular No. 03 of 2023

¹⁰ EPD Circular Letter No. 13 of 2023

from 35 percent to 50 percent of the export proceeds and further liberalized the utilization of the retained funds. Going forward, such exporters can freely make payments abroad of a current account nature from these accounts without prior approval of SBP - with Account opening facilitation, issuing corporate debit cards, and providing digital platforms, including the FX digital portal.

iii. Introduction of Electronic FX Trading Platform for Interbank Trading

Developing a forward-looking, innovative, and inclusive digital financial ecosystem is a key objective outlined in SBP Vision 2028. Aligned with this vision, SBP launched a Centralized Foreign Exchange (FX) Trading Platform named 'FX Matching' for the interbank FX market in January 2024.¹¹ Introducing FX Matching aims to furnish interbank market participants with a centralized trading platform that enables FX trading anonymously and provides real-time price visibility. Effective January 29, 2024, the FX Matching platform is operational, and interbank participants regularly quote prices.

3. National Financial Inclusion Strategy (NFIS)

NFIS 2023 laid out the national vision, framework, action plan, and targets for financial inclusion in Pakistan, and in this spirit, the

following headline targets were set for December 2023:

- i. Enhance Usage of Digital Payments (65 million active bank accounts, including 20 million accounts for Women)
- ii. Enhance Deposit Base (Deposit to GDP ratio to 55 percent)
- iii. Promote SME Finance (extend finance to 700,000 SMEs; 17 percent of the private sector credit)
- iv. Increase Agricultural Finance (serve 6 million farmers through digitalized solutions; enhance annual disbursement to PKR 1.8 trillion)
- v. Enhance Share of Islamic Banking (25 percent of the banking industry; increase branches of Islamic banks to 30 percent of the banking industry)

Under NFIS 2023, 96 actions with timelines and responsibilities were assigned to key implementing agencies, including federal and provincial ministries, government departments, regulators, and private sector institutions. Despite many challenges faced during the strategy's implementation, 72 actions were completed by the end of the strategy's term, while the remaining actions are in progress.

Table 5.10: Progress on NFIS Headline Targets (As of December 2023)

Area	Headline targets	NFIS 2023 Targets	Position as of Dec. 2023
Enhancing usage of Digital Financial Services ¹²	Unique Active Accounts (million)	65 million	64.86 million
	Unique Women Active Accounts	20 million	21.78 million
Enhance Deposit Base	Deposit to GDP Ratio	55%	33.0%
Enhance SME Finance ¹³	% of Private Sector Credit	17%	6.04%
	Outstanding Amount (PKR billion)	650 billion	543 billion
	Number of Borrowers	200,000	172,292
Increase Agriculture Finance	Disbursed Amount (PKR)	1,800 billion	1,776 billion
	Number of Outstanding Borrowers	6,000,000	2,993,265
Enhance share of Islamic Banking	Share in banking sector deposits	25%	23.2%
	Share in banking sector assets	25%	19.4%
	Share in bank branches	30%	29.4%

Source: State Bank of Pakistan

¹¹ DMMD Circular No. 01 of 2024

¹² Position pertains to June 2023

¹³ SME financing targets have been revised as per SME Policy 2021 notified by GoP. SME financing target until CY2025 is Rs 800 billion and 700,000 borrowers, of which the target for CY2023 is Rs 650 billion and 200,000 borrowers.

4. Implementation of Banking on Equality Policy –Gender Mainstreaming Policy

SBP launched a landmark gender mainstreaming Policy titled “Banking on Equality: Reducing the Gender Gap in Financial Inclusion.” The Policy aims to introduce a gender lens within the financial sector through specific measures to bring a shift towards women-friendly business practices. The Banking on Equality (BoE) Policy has several actions in place to achieve the following headline targets:

- a) 20 million women-owned active accounts by 2023
- b) 20 percent of banks’ workforce to be women by 2024
- c) 10 percent of Branchless Banking agents to be women by 2024
- d) 75 percent of bank access points to have trained women champions by 2024
- e) All bank staff to go through gender sensitivity training by 2024

Regarding headline targets of active account ownership, as of December 2023, there were 30.56 million women-owned active accounts against the 32.11 million active accounts target

for CY2023.

5. Asaan Mobile Account (AMA) Scheme

To cater to the needs of persons without access to a smartphone or internet facility, SBP launched the Asaan Mobile Account scheme in August 2022. Under this scheme, anyone with an essential feature phone can open and use an account simply by dialing *2262#. As of 29 February 2024, more than 10 million AMA accounts have been opened by the public.

5.7 Islamic Banking

Assets of the Islamic Banking Industry (IBI) experienced a YoY growth of 24.4 percent in CY23, lower than the growth of 29.6 percent observed in CY22. Deposits of IBIs posted growth of 30.8 percent in CY23 against growth of 22.6 percent in CY22.

By the end of December 2023, IBI's market share of financing (net) and investment (net) in the overall banking industry stood at 27.4 percent and 16.3 percent, respectively. The number of Islamic Branches increased to 4,955, showing a YoY growth of 12.7 percent. Meanwhile, Islamic Banking Windows stood at 1,922, portraying a YoY growth of 26.8 percent.¹⁴

Table 5.11: Islamic Banking Industry

	CY16	CY17	CY18	CY19	CY20	CY21	CY22	CY23
Total Assets (Rs. billion)	1,853.0	2,272.0	2,658.0	3,284	4,269	5,577	7229	8,994
Total Deposits (Rs billion)	1,573.0	1,885.0	2,203.0	2,652	3,389	4,211	5161	6,749
Share in Banks' Assets (%)	11.7	12.4	13.5	14.9	17	18.6	20.2	19.4
Share in Banks' Deposits (%)	13.3	14.5	15.5	16.6	18.3	19.4	22	23.2

Source: State Bank of Pakistan

Mode-wise financing breakup in CY23 showed that Diminishing Musharaka had the highest share, 32 percent, in overall financing of IBI, followed by Musharaka (25.3 percent) and Murabaha financing, 13 percent.

5.8 Microfinance

The Microfinance industry has gained a significant scale and footprint with the potential to increasingly leverage its vast infrastructure for financial inclusion of the unbanked. Some key statistics of the current outreach and market potential are as follows (Dec 2023) in Table 5.12:

¹⁴ Islamic Banking Bulletin-Dec 2023, SBP

Table 5.12: Microfinance Outreach in Pakistan

	Dec-22	Dec-23
Number of Branches/Units	4,037	4,050
Number of Districts Covered	139	139
Active Borrowers	9,092,247	9,560,000
Gross Loan Portfolio (Rs millions)	491,262	573,490
Average Loan Size (Rs)	54,031	59,988
Number of Depositors	98,178,770	105,530,026
Total Deposits (Rs millions)	514,290	597,023
Average Deposit Balance (Rs)	5,474	5,341

Source: Microwatch, PMN and Financial Soundness Indicators, SBP

5.9 Branchless Banking (BB) Performance

Table 5.13: Branchless Banking Indicators

BB Indicators	Dec-23	Dec-22	Growth
Number of Agents	649,683	622,884	4%
Number of Accounts	114,643,002	97,096,597	18%
Deposits (Rs millions)	115,409	88,488	30%
No. of transactions ('000')	3,938,160	3,049,483	29%
Value of transactions (Rs million)	18,182,312	12,601,739	44%

Source: SBP

Concluding Remarks

Pakistan's economy has faced uncertainties and economic crises since the beginning of FY 2023, however it is showing signs of recovery. The State Bank of Pakistan has maintained a tight monetary policy stance, leading to stabilized inflation expectations and improved consumer confidence. Looking ahead, it is expected that inflation will decrease to the target range of 5-7

percent by September 2025. However, sustainable economic recovery and price stability depend on the continuation of sound, prudent, and well-coordinated economic policies, the creation of a favourable business environment for job creation, timely and adequate financial inflows to meet gross financing needs, and stability in the external sector.

TABLE 5.1

COMPONENTS OF BROAD MONEY (M2)

		End June					Rs million
Stock		2019	2020	2021	2022	2023	2024 (Mar)
1	Currency Issued	5,294,754	6,468,725	7,288,807	8,002,583	9,674,077	9,184,954
2	Currency held by SBP	1,199	1,201	568	552	482	200
3	Currency in tills of Scheduled Banks	343,516	325,508	378,302	429,566	524,857	533,902
4	Currency in circulation (1-2-3)	4,950,039	6,142,016	6,909,937	7,572,465	9,148,739	8,650,852
5	Other deposits with SBP*	33,636	41,218	68,004	95,319	112,092	123,063
6	Scheduled Banks Total Deposits**	12,814,820	14,724,770	17,319,755	19,934,849	22,262,423	24,965,455
7	Resident Foreign Currency Deposits (RFCD)	1,109,780	1,074,511	1,046,150	1,212,791	1,527,268	1,497,171
8	Broad Money (4+5+6)	17,798,494	20,908,004	24,297,697	27,602,634	31,523,253	33,739,371
9	Growth rate (%)	11.3	17.5	16.2	13.6	14.2	22.2
MEMORANDUM							
1	Currency / Money ratio	27.8	29.4	28.4	27.4	29.0	25.6
2	Demand Deposits / Money ratio	62.8	60.6	63.2	64.3	63.5	66.7
3	Time Deposits / Money ratio	3.0	4.7	3.8	3.5	2.3	2.8
4	Other Deposits / Money ratio	0.2	0.2	0.3	0.3	0.4	0.4
5	RFCD / Money ratio	6.2	5.1	4.3	4.4	4.8	4.4
6	Income Velocity of Money***	2.4	2.3	2.3	2.4	2.7	-

P : Provisional R : Revised

Source: State Bank of Pakistan

* : The deposits of other institutions are part of 'other deposits' from July 03, 2020 onwards.

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

*** : Income velocity of money is estimated using GDP (from PBS) at current prices (with latest base)/ Average of two periods monetary assets (M2)-only in case where full year monetary data is available.

TABLE 5.2

CAUSATIVE FACTORS ASSOCIATED WITH BROAD MONEY (M2)

						Rs million
						2024
						(Mar)
						2019
						2020
						2021
						2022
						2023
						2024
						(Mar)
A. Stock End June						
1	Public Sector Borrowing (net)					
	(i + ii + iii)	12,336,664	14,547,233	16,265,119	19,622,850	23,723,097
	i. Net Budgetary Support	11,596,468	13,748,309	15,373,463	18,506,467	22,254,392
	ii. Commodity Operations	756,416	813,435	903,999	1,133,655	1,485,909
	iii. Zakat Fund etc.	-16,220	-14,510	-12,344	-17,273	-17,204
2	Non-Government Sector	8,072,803	8,372,428	9,114,395	10,695,839	11,342,589
	i. Autonomous Bodies*	285,745	258,059	266,372	303,771	314,481
	ii. Net Credit to Private Sector & PSEs	7,787,058	8,114,369	8,848,024	10,392,067	11,028,108
	a. Private Sector	6,666,505	6,862,862	7,629,069	8,958,809	9,167,094
	b. Public Sector Corp. other than 2(i)	1,108,476	1,232,463	1,170,373	1,089,675	1,372,689
	c. PSEs Special Account Debt Repayment	-24,244	-24,244	-24,244	-24,244	-24,244
	d. Other Financial Institutions (NBFIs)	36,321	43,288	72,825	367,828	512,569
3	Counterpart Funds	-560	-534	-534	-530	-530
4	Other Items (Net)	-1,103,333	-1,494,971	-1,806,007	-1,962,285	-854,165
5	Domestic Credit (1+2+3+4)	19,305,575	21,424,157	23,572,973	28,355,874	34,210,991
6	Foreign Assets (Net)	-1,507,081	-516,153	724,723	-753,240	-2,687,737
7	Broad Money (5+6)	17,798,494	20,908,003	24,297,696	27,602,634	31,523,253
						33,739,371
B. Changes over the year (July-June)						
8	Public Sector Borrowing (net)					
	(i+ii+iii)	2,136,994	2,210,569	1,717,885	3,357,731	4,100,247
	i. Net Budgetary Support	2,203,507	2,151,841	1,625,155	3,133,004	3,747,924
	ii. Commodity Operations	-63,264	57,019	90,565	229,656	352,254
	iii. Zakat Fund etc.	-3,249	1,709	2,166	-4,929	69
9	Non-Government Sector	1,039,205	299,625	741,967	1,581,444	646,750
	i. Autonomous Bodies*	-39,042	-27,686	8,313	37,399	10,710
	ii. Net Credit to Private Sector & PSCEs	1,078,247	327,311	733,654	1,544,043	636,041
	a. Private Sector*	693,537	196,357	766,207	1,329,740	208,285
	b. Public Sector Corp. other than 2(i)	365,064	123,987	-62,090	-80,698	283,015
	c. PSEs Special Account Debt Repayment	0	0	0	0	0
	d. Other Financial Institutions (NBFIs)	19,646	6,967	29,537	295,003	144,741
10	Counterpart Funds	-30	25	0	4	0
11	Other Items (Net)	-76,180	-391,638	-311,036	-156,278	1,108,120
12	Domestic Credit Expansion (8+9+10+11)	3,099,989	2,118,582	2,148,817	4,782,901	5,855,117
13	Foreign Assets (Net)	-1,298,658	990,928	1,240,876	-1,477,963	-1,934,497
14	Monetary Expansion (12+13)	1,801,332	3,109,510	3,389,693	3,304,938	3,920,620

P : Provisional R: Revised

Source: State Bank of Pakistan

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

Note: w.e.f December 31, 2022 Scheduled Banks credit to NBFIs, earlier reported under credit to private sector is reclassified as credit to NBFIs and become part of other Financial Institutions

TABLE 5.3

SCHEDULED BANKS' CONSOLIDATED POSITION BASED ON LAST WEEKEND POSITION OF LIABILITIES & ASSETS

	Rs million					
Item Description	2019	2020	2021	2022	2022-23	Mar-24
Assets						
Cash & Balances with Treasury Banks	1,966,692	1,408,559	1,528,246	2,308,137	2,650,786	2,746,460
Balances with other Banks	195,992	212,150	213,911	330,061	517,695	592,976
Lending to Financial Institutions	717,249	843,513	966,673	858,227	892,010	724,063
Investments	7,624,217	10,681,288	13,615,840	16,441,736	20,895,614	26,255,450
Gross Advances	8,096,771	8,202,328	8,831,088	10,771,563	12,202,125	11,969,406
Less: Provision for Non- Performing Advances	488,093	546,797	629,039	672,486	699,746	792,101
Advances – Net of Provision	7,608,677	7,655,531	8,202,049	10,099,077	11,502,379	11,177,306
Operating Fixed Assets	468,981	567,753	635,575	716,433	872,579	983,144
Deferred Tax Assets	59,834	56,161	70,764	107,049	220,831	175,347
Other Assets	943,951	950,083	908,754	1,202,385	1,892,967	2,464,449
Total Assets	19,585,594	22,375,037	26,141,812	32,063,106	39,444,861	45,119,194
Liabilities						
Bills Payable	299,737	245,363	322,389	358,528	424,912	295,278
Borrowings	2,412,023	2,865,768	4,097,113	6,725,049	8,916,845	11,159,140
Deposits and other Accounts	14,458,307	16,229,036	18,695,178	21,490,459	25,507,568	28,226,992
Sub-ordinated Loans	108,670	126,296	112,732	136,828	171,864	176,859
Liabilities Against Assets Subject to Finance Lease	0	2,134	1,823	10,134	12,518	11,098
Deferred Tax Liabilities	22,591	47,329	17,288	5,847	38,414	54,939
Other Liabilities	803,227	964,493	997,101	1,300,389	1,966,081	2,273,545
Total Liabilities	18,104,555	20,480,420	24,243,625	30,027,234	37,038,203	42,197,851
Net Assets	1,481,039	1,894,617	1,898,187	2,035,872	2,406,658	2,921,343
Represented by:						
Paid up Capital / Head Office Capital Account	546,922	556,465	561,451	584,837	614,275	630,827
Reserves	340,060	357,675	379,965	440,578	572,952	648,899
Un-appropriated / Un-remitted Profit	480,816	618,864	696,938	870,554	1,142,504	1,349,293
Sub total	1,367,798	1,533,004	1,638,354	1,895,969	2,329,731	2,629,019
Surplus/ (Deficit) on Revaluation of Assets	113,241	361,613	259,833	139,904	76,926	292,324
Total	1,481,039	1,894,617	1,898,187	2,035,875	2,406,658	2,921,343

Source: State Bank of Pakistan

TABLE 5.4

LIST OF DOMESTIC, FOREIGN BANKS, DFIs AND MICROFINANCE BANKS

<u>Public Sector Commercial Banks</u>		<u>Foreign Banks</u>	
1	First Women Bank Ltd.	1	Citibank N.A.
2	National Bank of Pakistan	2	Deutsche Bank AG
3	Sindh Bank Limited	3	Industrial and Commercial Bank of China Limited
4	The Bank of Khyber	4	Bank of China Limited
5	The Bank of Punjab		
<u>Specialized Scheduled Banks</u>		<u>Development Financial Institutions</u>	
1	The Punjab Provincial Co-operative Bank	1	House Building Finance Company Limited
2	Industrial Development Bank Limited (IDBL)	2	PAIR Investment Company Ltd.
3	SME Bank Limited	3	Pakistan Kuwait Investment Company Ltd.
4	Zarai Taraqiyati Bank Limited	4	Pak Libya Holding Company Ltd.
		5	Pak Oman Investment Company (Pvt) Limited
		6	Pak-Brunei Investment Company Ltd.
		7	Pak China Joint Investment Company Ltd.
		8	Pakistan Mortgage Refinance Company Ltd.
		9	Saudi Pak Industrial & Agricultural Investment Company Ltd.
		10	Export Import Bank of Pakistan
<u>Private Local Banks</u>		<u>Micro Finance Banks</u>	
1	Allied Bank Limited	1	Advans Pakistan Microfinance Bank Ltd.
2	Albarka Bank Pakistan Limited*	2	APNA Microfinance Bank Ltd.
3	Askari Bank Limited	3	FINCA Microfinance Bank Ltd.
4	Bank Al Falah Limited	4	Khushhali Microfinance Bank Ltd.
5	Bank Al Habib Limited	5	Mobilink Microfinance Bank Ltd. (Formerly Waseela Microfinance Bank)
6	Bank Islami Pakistan Limited*	6	NRSP Microfinance Bank Ltd.
7	Dubai Islamic Bank Pakistan Limited*	7	LOLC Microfinance Bank Ltd. (Formerly Pak Oman Microfinance Bank Ltd)
8	Faysal Bank Limited*	8	Sindh Microfinance Bank Ltd.
9	Habib Bank Limited	9	Telenor Microfinance Bank Ltd.
10	Habib Metropolitan Bank Limited	10	HBL Microfinance Bank Ltd. (Formerly The First Microfinance Bank)
11	JS Bank Limited	11	U Microfinance Bank Ltd.
12	MCB Bank Limited	12	ASA Microfinance Bank (Pakistan) Ltd.
13	MCB Islamic Bank*		
14	Meezan Bank Limited*		
15	Samba Bank Limited		
16	Silk Bank Limited		
17	Soneri Bank Limited		
18	Standard Chartered Bank (Pakistan) Limited		
19	Bank Makramah Limited (Formerly Summit Bank Limited)		
20	United Bank Limited		

*: Full fledged Islamic Banks

Source: State Bank of Pakistan

TABLE 5.5
SECURITY AND NATURE WISE WEIGHTED AVERAGE LENDING RATES /
FINANCING RATES (ALL SCHEDULED BANKS)*

		(Percent)								
As at the		Precious	Stock	Merch-andise	Machi-nery	Real Estate	Financial	Others	Unse-cured	Total
End of		Metal	Exchange				Oblig-ations		Advances	Advances
			Securities							
Conventional Banking										
2019	Jun	11.20	12.34	10.32	11.74	11.09	10.74	11.88	28.12	11.64
		(11.20)	(12.41)	(10.19)	(11.58)	(11.09)	(10.74)	(12.00)	(28.12)	(11.56)
	Dec	12.67	14.08	11.20	12.89	11.55	12.01	14.08	26.14	12.92
		(12.67)	(13.79)	(10.99)	(12.64)	(11.53)	(11.65)	(13.80)	(26.14)	(12.42)
2020	Jun	14.13	10.79	8.87	9.60	9.25	8.65	10.96	28.20	10.30
		(14.13)	(10.73)	(8.60)	(9.69)	(9.25)	(8.71)	(10.96)	(28.20)	(10.10)
	Dec	10.58	7.85	6.91	7.83	7.24	7.01	8.06	27.42	8.03
		(10.58)	(7.83)	(6.84)	(7.80)	(7.24)	(6.90)	(7.80)	(27.42)	(7.96)
2021	Jun	10.40	8.38	6.63	7.85	6.80	7.19	8.78	28.30	8.16
		(10.40)	(8.37)	(6.51)	(7.68)	(6.80)	(7.07)	(9.51)	(28.30)	(8.13)
	Dec	11.30	9.06	7.48	8.67	7.86	8.60	8.94	28.77	8.83
		(11.30)	(9.04)	(7.49)	(8.52)	(7.86)	(8.48)	(9.31)	(28.77)	(8.88)
2022	Jun	12.52	11.86	9.94	11.33	9.89	11.13	12.57	30.10	11.60
		(12.52)	(11.70)	(9.74)	(10.76)	(9.88)	(10.95)	(12.54)	(30.10)	(11.27)
	Dec	17.72	15.47	14.17	13.83	12.91	14.12	16.29	31.49	15.00
		(17.72)	(15.38)	(13.90)	(13.32)	(12.90)	(13.97)	(16.74)	(31.49)	(14.70)
2023	Jun	13.89	21.03	16.27	17.52	15.02	18.15	18.09	30.84	17.44
		(13.89)	(20.72)	(15.97)	(16.97)	(15.00)	(17.85)	(19.32)	(30.84)	(17.22)
	Dec	13.98	21.11	17.42	17.51	15.01	18.34	18.41	32.13	17.82
		(13.98)	(20.86)	(17.10)	(16.93)	(14.99)	(17.89)	(19.92)	(32.13)	(17.69)
Islamic Banking										
2019	Jun	-	11.26	10.99	11.07	10.87	9.31	11.34	5.76	11.13
		-	(8.00)	(10.95)	(10.90)	(10.87)	(9.31)	(11.23)	(5.24)	(10.99)
	Dec	-	10.95	11.59	12.63	12.14	10.35	12.92	12.92	12.40
		-	(7.13)	(11.53)	(12.63)	(12.16)	(10.35)	(11.85)	(10.52)	(11.96)
2020	Jun	-	13.12	9.55	11.10	10.30	9.30	10.56	10.81	10.38
		-	(11.43)	(9.46)	(11.16)	(10.25)	(8.83)	(10.20)	(10.74)	(10.19)
	Dec	-	7.96	7.50	8.41	7.75	6.57	7.40	9.82	7.68
		-	(9.56)	(7.51)	(8.42)	(7.71)	(6.48)	(7.32)	(9.82)	(7.72)
2021	Jun	-	8.90	6.84	8.01	7.59	5.03	7.71	16.06	7.53
		-	(8.93)	(6.79)	(7.99)	(7.48)	(5.03)	(7.66)	(16.06)	(7.44)
	Dec	-	7.12	7.55	9.08	8.46	5.20	7.93	16.45	8.14
		-	(7.02)	(7.54)	(9.04)	(8.33)	(5.20)	(7.68)	(16.45)	(8.14)
2022	Jun	-	12.70	10.14	11.30	10.27	9.29	11.26	23.66	10.82
		-	(12.65)	(9.90)	(11.23)	(10.22)	(8.86)	(10.11)	(23.66)	(10.46)
	Dec	-	14.64	13.06	14.03	12.79	11.25	14.64	27.70	13.76
		-	(14.58)	(12.73)	(13.89)	(12.63)	(11.04)	(13.25)	(27.70)	(13.17)
2023	Jun	0.00	21.31	16.30	17.28	15.01	12.57	20.49	30.68	17.81
		0.00	(21.10)	(16.03)	(16.95)	(14.78)	(12.39)	(17.45)	(30.68)	(16.29)
	Dec	0.00	21.65	17.33	18.44	15.94	13.05	20.43	31.93	18.33
		0.00	(21.51)	(17.20)	(18.24)	(15.70)	(12.81)	(18.25)	(31.93)	(17.39)

* : Weighted average rates shown in parentheses represent Private Sector

Source: State Bank of Pakistan

TABLE 5.6

SALE OF MARKET TREASURY BILLS THROUGH AUCTION

						Rs million	
No.	Securities	2019	2020	2021	2022	2023	Mar-24
Market Treasury Bills							
A.	Three Months Maturity						
	Amount Offered						
i)	Face value	23,757,544	14,913,709	15,505,232	17,474,185	32,134,362	24,448,745
ii)	Discounted value	23,222,877	14,486,853	15,250,389	17,044,574	30,794,061	23,246,041
	Amount Accepted						
i)	Face value	18,866,489	8,811,853	8,698,476	11,833,518	24,278,682	11,219,368
ii)	Discounted value	18,448,036	8,554,064	8,556,387	11,533,971	23,248,551	10,666,652
	Weighted Average Yield						
i)	Minimum % p.a.	6.7575	7.6896	6.4267	7.2103	15.5734	20.4399
ii)	Maximum % p.a.	12.7454	13.7490	7.4418	15.1193	21.9923	23.3938
B.	Six Months Maturity						
	Amount Offered						
i)	Face value	120,484	4,345,673	9,989,084	11,998,595	5,145,386	4,497,980
ii)	Discounted value	101,275	4,115,593	9,627,168	11,432,459	4,687,347	4,034,379
	Amount Accepted						
i)	Face value	8,928	1,705,828	5,585,878	5,318,275	583,249	554,592
ii)	Discounted value	8,502	1,613,386	5,384,224	5,071,332	537,522	500,076
	Weighted Average Yield						
i)	Minimum % p.a.	7.8526	7.4786	6.4666	7.4292	15.6806	20.3903
ii)	Maximum % p.a.	12.6958	13.9498	7.7463	14.9545	21.9669	24.7868
C.	Twelve Months Maturity						
	Amount Offered						
i)	Face value	29,073	14,210,931	2,462,402	5,378,274	6,555,553	21,073,116
ii)	Discounted value	15,431	12,653,509	2,287,089	4,811,666	5,501,107	17,298,374
	Amount Accepted						
i)	Face value	500	4,649,744	580,918	1,492,526	1,609,688	7,933,195
ii)	Discounted value	443	4,133,139	542,086	1,324,154	1,363,483	6,532,830
	Weighted Average Yield						
i)	Minimum % p.a.	13.1500	7.2892	6.5475	7.6000	15.6655	19.9950
ii)	Maximum % p.a.	13.1500	14.2169	7.7908	15.1503	21.9996	25.0569

Note : Amount includes Non-competitive Bids.

Source: State Bank of Pakistan

TABLE 5.7

SALE OF PAKISTAN INVESTMENT BONDS THROUGH AUCTION

No.	Securities	2019	2020	2021	2022	2023	Rs million
							2024 (Mar)
Pakistan Investment Bonds							
A.	Amount Offered (Face Value)	3,156,891					
	02 Years (Floater) Maturity (PFL) Quarterly			213,423	1,383,367	3,459,944	988,874
	03 Years Maturity	976,869	2,389,228	1,181,021	1,856,725	1,368,358	2,326,074
	05 Years Maturity	653,189	1,643,278	866,330	2,020,087	1,820,692	659,681
	07 Years Maturity	-	-	-	-	-	-
	10 Years Maturity	815,509	1,216,358	445,052	1,885,183	1,192,163	672,378
	03 Years (Floater) Maturity (PFL) Semi-Annual		84,100	1,193,302	-	-	-
	05 Years (Floater) Maturity (PFL) Semi-Annual		48,500	776,785	359,750	2,331,221	7,149,085
	10 Years (Floater) Maturity (PFL) Semi-Annual	706,324	1,445,471	384,124	71,900	200,314	2,435,203
	03 Years (Floater) Maturity (PFL) Quarterly			365,931	2,620,598	2,236,263	1,792,119
	05 Years (Floater) Maturity (PFL) Quarterly			107,600	-	-	-
	10 Years (Floater) Maturity (PFL) Quarterly			130,050	-	-	-
	15 Years Maturity	-	22,925	96,589	96,051	5,700	-
	20 Years Maturity	5,000	22,659	72,061	10,529	-	-
	30 Years Maturity	-	-	-	0	-	-
B.	Amount Accepted (Face Value)	1,183,510					
	(a) 02 Years (Floater) Quarterly Maturity (PFL)						
	(i) Amount Accepted			175,664	908,867	2,356,042	576,086
	(ii) Cut-Off Price						
	(1) Minimum Cut-Off Price			99.5239	99.0272	98.3956	98.6068
	(2) Maximum Cut-Off Price			99.6467	99.6516	99.2090	99.0041
	(b) 03 Years Maturity.						
	(i) Amount Accepted	418,859	1,102,152	479,261	551,365	598,016	894,978
	(ii) Weighted Average Yield						
	(1) Minimum % p.a.	12.0002	7.5239	7.2359	8.6626	13.7633	16.5977
	(2) Maximum % p.a.	13.6770	14.1519	9.3344	13.9550	19.2462	19.3499
	(c) 03 Years (Floater) Maturity (PFL) Semi-Annual**						
	(i) Amount Accepted		60,552	624,763			
	(ii) Margin* / Cut-Off Price						
	(1) Minimum bps / Cut-Off Price		45bps	98.8132			
	(2) Maximum bps / Cut-Off Price		45bps	100.4413			
	(d) 03 Years (Floater) Quarterly Maturity (PFL)						
	(i) Amount Accepted			228,976	1,683,880	1,350,369	826,373
	(ii) Cut-Off Price						
	(1) Minimum Cut-Off Price			98.9923	97.2128	96.5547	97.1677
	(2) Maximum Cut-Off Price			99.2323	99.2531	97.8357	98.1470
	(e) 05 Years Maturity						
	(i) Amount Accepted	199,680	612,849	301,239	663,029	690,156	180,223
	(ii) Weighted Average Yield						
	(1) Minimum % p.a.	9.2500	7.8740	8.2139	9.1602	13.0568	15.3764
	(2) Maximum % p.a.	13.7687	13.7740	9.8296	13.0731	13.4666	16.9500

(Contd...)

TABLE 5.7

SALE OF PAKISTAN INVESTMENT BONDS THROUGH AUCTION

No.	Securities	2019	2020	2021	2022	2023	Rs million
							2024 (Mar)
(f)	05 Years (Floater) Maturity (PFL) Semi-Annual**						
	(i) Amount Accepted		34,500	306,271	129,562	1,548,771	3,332,485
	(ii) Margin* / Cut-Off Price						
	(1) Minimum bps / Cut-Off Price		49bps	98.1794	98.2095	94.3250	94.5435
	(2) Maximum bps / Cut-Off Price		49bps	100.4845	98.2660	96.3515	97.0617
(g)	05 Years (Floater) Quarterly Maturity (PFL)						
	(i) Amount Accepted			90,500			
	(ii) Cut-Off Price						
	(1) Minimum Cut-Off Price			97.9779			
	(2) Maximum Cut-Off Price			98.0119			
(h)	7 Years Maturity						
	(i) Amount Accepted	-					
	(ii) Weighted Average Yield						
	(1) Minimum % p.a.	-					
	(2) Maximum % p.a.	-					
(i)	10 Years Maturity						
	(i) Amount Accepted	253,195	332,797	149,729	563,210	14,294	180,870
	(ii) Weighted Average Yield						
	(1) Minimum % p.a.	12.8267	8.4767	8.8570	9.8230	12.9197	14.2750
	(2) Maximum % p.a.	13.6820	13.4548	10.2140	13.0576	12.9197	15.2500
(j)	10 Years (Floater) Maturity (PFL) Semi-Annual**						
	(i) Amount Accepted	-	723,417	136,707	64,553	181,383	1,334,764
	(ii) Margin* / Cut-Off Price						
	(1) Minimum bps / Cut-Off Price	-	70 bps	100	100	93.0004	93.4369
	(2) Maximum bps / Cut-Off Price	-	75 bps	101.0536	100	93.8497	94.8112
(k)	10 Years (Floater) Quarterly Maturity (PFL)						
	(i) Amount Accepted	-	-	98,542	-	-	
	(ii) Cut-Off Price						
	(1) Minimum Cut-Off Price	-	-	95.2412			
	(2) Maximum Cut-Off Price	-	-	95.2853			
(l)	15 Years Maturity						
	(i) Amount Accepted	-	16,800	64,000	59,000	-	
	(ii) Weighted Average Yield						
	(1) Minimum % p.a.	-	9.6640	9.7020	10.4000		
	(2) Maximum % p.a.	-	10.4540	10.0000	10.4000		
(m)	20 Years Maturity						
	(i) Amount Accepted	-	6,113	62,061	-	-	
	(ii) Weighted Average Yield						
	(1) Minimum % p.a.	-	10.5100	10.3400			
	(2) Maximum % p.a.	-	11.7999	10.5624			
(n)	30 Years Maturity						
	(i) Amount Accepted	-	-	-	-	-	
	(ii) Weighted Average Yield						
	(1) Minimum % p.a.	-	-	-			
	(2) Maximum % p.a.	-	-	-			

Source: State Bank of Pakistan

* : The benchmark for coupon rate is defined in clause 'B' of DMMD Circular No. 9 dated May 07, 2018.

** : Margins quoted over benchmark rate in fresh auctions of floating rate PIB (PFL)

Note:1 : A special issuance in PFL-SA 10 Years Issued by GoP to Independent Power Producer (IPPs) against their receivables from GoP on 4th June, 2021 (Rs 28,905.1 Million) and on 29-Nov-21 (Rs 43,322.80 Million)

2: Amounts include non-competitive bids & short sale accommodation as well.