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NBP Performance at a Glance

## Editor's Corner

Dear Readers,

The year 2010 draws to a close, having witnessed massive earthquake in Haiti and Chile, widespread floods in Pakistan, one of the worst oil spills in the history of mankind in the Gulf of Mexico, rescue of the Brazilian miners after having been trapped for nearly 70 days underground at a depth of 700 meters after days of painstaking efforts, the inauguration of Burj Dubai, the world's tallest building. Natural disasters have impacted food supplies. Drought in the Black Sea region cut Russia's wheat harvest by a third this year. Unusually hot and dry weather in Argentina and other Latin American crop exporting nations affected the volume of corn, wheat and soyabeans on world markets. Prices of food stuffs and basic commodities hit new highs and is expected to climb further in 2011. As a result, 925 million people worldwide suffered from hunger in 2010, an increase of about 150 million people since 1995-97, according to the *UN Food and Agriculture Organization*. In Pakistan, prices of essential items especially food prices have increased and combined with high unemployment, there has been an increase in the incidence of poverty. According to estimates almost 66 million people had become food insecure as far back as 2008. The number has since risen.

The *Asian Development Bank* has revised upwards its growth estimates for developing countries of Asia for 2010. The GDP growth in the region is expected at 8.6 percent in 2010, against earlier forecast of 8.2 percent, decelerating to 7.3 percent in 2011. Higher growth in 2010 is mainly because of stronger performance by People's Republic of China. In Southeast Asia, the Philippines and Thailand are leading, while in South Asia, India will lead the recovery of the region growing at 8.5 percent. In Central Asia, higher oil and mineral prices lifted growth in countries such as Azerbaijan, Kazakhstan and Turkmenistan, natural resource exporters.

Commodity prices hit new highs in 2010. They were driven by a number of factors including macro economic data, sovereign debt issues, weather, differential monetary policies and currency dynamics. Prices of copper, gold and silver hit historical levels. Gold crossed \$1400 an ounce, copper rose 30 percent, while prices of silver soared by over 80 percent. A report by *Bank of America/Merrill Lynch*, 2011 predicts gold, silver and copper will continue to skyrocket.

Oil continues to consolidate near the \$90 a barrel mark. Increased demand from China and India has also been a factor in raising the oil prices. Mid 2010 oil prices had been as low as \$70 a barrel because of worries about the debt problems in Europe and high unemployment in the United States would keep economic growth stagnant and energy demand low. Increasing demand in developing countries has changed that.

At home, torrential rains and floods that hit Pakistan in July affected more than 20 million people, 1.4 million acres of cropped land, killed 200,000 livestock and washed away massive amounts of grain. The damage caused by the floods are estimated at \$9.7 billion. Agriculture has been the most severely affected sector, with damages estimated at around Rs429 billion. The floods also affected housing units across the country, public health infrastructure, educational institutions, irrigation infrastructure, transport and communications infrastructure, water supply facilities and power sector. These have wide ranging implications for the economy.

In April 2010, the 18<sup>th</sup> amendment of the constitution of Pakistan was passed by the National Assembly. This counters many of the powers of the President and reverses many infringements on the constitution of Pakistan. It removes clause 58 2(b) which allowed the President to dismiss the Prime Minister and also removes the President's discretionary powers to dissolve the National Assembly. The Amendment has several provisions to give more power to the smaller provinces; the number of fundamental rights have

been increased; NWFP has been renamed Khyber-Pakhtunkhwa, there are several provisions to give more power to the smaller provinces and number of provisions pertain to strengthening the finances of the provinces.

Another major development was the consensus achieved among the members of the National Finance Commission (NFC) of the four provinces on inter-governmental revenue transfers. The last NFC Award was announced in 1997, and though later in 2000 and 2005, NFCs were constituted but a consensus could not be reached among the members.

Some of the major features of the 7th Award include; enlargement of the divisible pool of taxes; increase of provincial share in the divisible pool from the present 46.25 percent to 56 percent in the first year of NFC and 57.5 percent in the subsequent years; multiple criteria (poverty, revenue contribution, inverse population density, backwardness and population) for distribution of resources. Khyber-Pakhtunkhwa (KPK) plays a frontline role against the war on terror. As a support, all provinces have joined the federal government to earmark one percent of the total divisible pool for KPK. Balochistan would receive more from the divisible pool given the special development needs of the province. KPK will receive the arrears of hydel electricity profits and Balochistan the arrears of gas development surcharge.

Infrastructural shortages are causing damage to the economy. Electricity and gas shortage is adversely affecting the industrial sector, while the agriculture sector is faced with water shortage. There has been tremendous growth in demand for electricity, as a result of increased usage of electrical appliances and subsidized tariff rates. Supply has not been able to cater for the increased demand. There was lack of expansion and upgradation of power plants. Mismanagement over the years has contributed to power sector shortages. As a consequence, GDP growth is lower, with implications on employment, exports and development in general.

The third annual report (2010) of the *Institute of Public Policy* has quantified the cost of electricity load shedding to the economy. The cost to the economy of outages to the industrial sector in 2009 was Rs230 billion, equivalent to 11 percent of industrial value added and a loss of industrial employment of about 535,000 workers. Another major concern is the beginning of gas shortages, and if corrective policy action is not taken, it could develop into a crisis. The availability of water is crucial for Pakistan given its agrarian economy, it relies heavily on water for its agriculture. The Report has shown the cost of water shortages to agricultural value added. The loss in 2008-09 due to under-investment in water in the current decade has been as much as Rs125 billion, equivalent to 4.8 percent of the agricultural value added.

Policy action is required to develop alternate sources of energy, reduce dependence on imported fuel, enhance participation of the private sector, invest in new power generating capacities, minimise technical losses and theft, enhance the exploration and production activities of oil, gas and coal resources and encourage energy conservation measures. With regard to water strategy, its storage capacity must be increased, its losses/wastage be minimised, water efficient cropping system be introduced among other water development and water management initiatives. Challenges are enormous which have been compounded by the fallout of the war on terror. One hopes that 2011 will usher in a year of peace and a better future for the country's economy.

Ayesha Mahmood

## The State of Food Security in Pakistan

### Definition

The definition of food security has evolved over the years. In 1974 World Food Summit, defined food security as “availability at all times of adequate world food supplies of basic food stuffs to sustain a steady expansion of food consumption and to offset fluctuations in production and prices”. Later in 1983, *Food and Agriculture Organization (FAO)* defined it as “ensuring that all people at all times have both physical and economic access to the basic food that they need”. The World Food Summit in 1996 defined food security as “when all people at all times have physical and economic access to sufficient, safe and nutrition food to meet the dietary needs and food preferences for an active and healthy life”.

So food security can be broadly divided into three components: -

### Three pillars of food security

- Food availability is achieved when sufficient food is available through domestic production or imports to all individuals;
- Access to food can be ensured when households or individuals have the resources to acquire appropriate nutritious food; and
- Food absorption requires a diet providing sufficient energy and essential nutrients alongwith access to potable water and adequate sanitation.

Achieving food security is a complex challenging task. It requires availability of food at all times to all individuals. The food could either be produced domestically, imported or received as food assistance. Secondly peoples’ access to food is to be ensured. This is a function of household income, which ensures acquisition of food. If the individuals/households have the accessibility to food can they meet their dietary needs adequately. This factor is related to poverty. When a segment of population does not have the purchasing power to purchase food yielding the desired level of calories per day and meet the nutritional requirements, it hinders their food consumption levels. Food availability and economic access to food alone

cannot ensure food security as proper food absorption is equally important. This is influenced by the health condition of an individual, sanitation, clean drinking water, proper storage and processing of food.

The above mentioned dimensions of food security show how difficult and challenging it is to achieve food security. The situation aggravates in case of rise in food prices which seriously affects food access of the poor households. Any climatic change like, rains, floods, droughts has an impact on agricultural production, pushes up the number of hungry and malnourished people and results in growing numbers facing food and nutrition insecurity.

### Agri links to food security

Agriculture plays a key role in making food available, in providing a source of income to purchase foods and providing foods with high nutritional contents. The agricultural sector contributes to development as an economic activity and as a source of livelihood.

Two thirds of the world’s agricultural value added originates in developing countries. In agriculture based economies, it generates on average 29 percent of GDP and employs 65 percent of the labour force. It has proved to be a catalyst in reducing poverty. Estimates show that GDP growth originating in agriculture is twice as effective in reducing poverty as GDP growth originating outside agriculture. *The World Development Report 2008*, states, “for China aggregate growth originating in agriculture is estimated to have been 3.5 times more effective in reducing poverty than growth outside agriculture”. Rapid agricultural growth in India and China was accompanied by major declines in rural poverty.

In Pakistan, the agricultural sector is the mainstay of the economy. It accounts for 21 percent of GDP, absorbs 45 percent of the labour force and as nearly 62 percent of the population resides in rural areas, they are linked to agriculture directly or indirectly for

**World Development Report — 2008**

Box ‘A’

**Agriculture for Development  
The World Bank**

The World Development Report – 2008, has a section, *What are the links between agricultural production and food security*. Achieving food security requires adequate food availability, access and use. We give below excerpts from this section.

- Investments in agriculture are important to increase food security.
- Rising productivity increases rural incomes and lowers food prices, making food more accessible to the poor.
- Other investments – such as improved irrigation and drought-tolerant crops – reduce price and income variability by mitigating the impact of a drought. Productivity gains are key to food security in countries with foreign exchange shortage or limited infrastructure to import food.
- Nutritionally improved crops give access to better diets, in particular through biofortification that improves crop nutrient content.
- The contributions that agriculture makes to food security need to be complemented by medium-term programs to raise incomes of the poor, as well as insurance and safety nets, including food aid, to protect the chronic and transitory poor.
- The world is generally food secure, producing enough food to meet the dietary needs of today’s global population – although future global food security should not be taken for granted because of uncertainties from growing resource scarcity and climate change.
- The highest incidence of undernourishment is in Sub-Saharan Africa, where one in every three persons suffers from chronic hunger.
- The greatest number of undernourished is in South Asia (299 million), closely followed by East Asia (225 million).
- East Asia has reduced the prevalence of undernourishment in the past decade by more than 3 percent a year and South Asia by 1.7 percent a year, but the failure to reduce the absolute number of undernourished remains a cause for concern.
- However, food availability is still a concern in some agriculture-based countries. Many countries have declining domestic production per capita of food staples.
- In addition, staple food production in many agriculture-based countries is largely rain fed and experiences large fluctuations caused by climatic variability.
- Stagnation or decline in domestic production and large fluctuations clearly raise a potential problem of food availability at the national level.
- Poor infrastructure imposes high costs for food to reach isolated areas, even when the capital city and coastal cities are well served by international markets.
- Almost all the agriculture-based countries are net importers of food staples, importing on average 14 percent of their total consumption over the past 10 years.
- For most of the malnourished, the lack of access to food is a greater problem than food availability.
- The irony is that most of the food insecure live in rural areas where food is produced, yet they are net food buyers rather than sellers. Poverty constrains their access to food in the marketplace.
- Today, agriculture’s ability to generate income for the poor, particularly women, is more important for food security than its ability to increase local food supplies.
- India has moved from food deficits to food surpluses, reducing poverty significantly and reaching a per capita income higher than that in most parts of Sub-Saharan Africa.
- Bangladesh, India and Nepal occupy three of the top four positions in the global ranking of underweight children. Ethiopia is the fourth, with the same incidence of underweight children as India.
- Food use translates food security into nutrition security. Malnutrition has significant economic consequences, leading to estimated individual productivity losses equivalent to 10 percent of lifetime earnings and gross domestic product (GDP) losses of 2 to 3 percent in the worst-affected countries.
- Food must not only be available and accessible, but also be of the right quality and diversity (in terms of energy and micronutrients), be safely prepared, and be consumed by a healthy body, as disease hinders the body’s ability to turn food consumption into adequate nutrition.
- Agriculture now offers an additional pathway to address hidden hunger, Biofortification is enhancing staple crop varieties and improving diet quality with higher levels of vitamins and minerals through conventional crop-breeding and biotechnology.
- In the future, agriculture will continue to play a central role in tackling the problem of food insecurity. It can maintain and increase global food production, ensuring food availability. It can be the primary means to generate income for the poor, securing their access to food. And through new and improved crop varieties, it can improve diet quality and diversity and foster the link between food security and nutrition security.



their livelihood. Whatever happens to agriculture is bound to affect the livelihood and consequently food security of the rural people. Floods during 1973, 1992 and 2010 and droughts in 1998, 2000 and 2001 impacted food grains production.

Declining agri growth

Agricultural growth has declined over the years. In the 1980s the sector grew by 5.4 percent while in 2000 it grew by 3.2 percent. Productivity remains low, with yield gaps rising. Irrigation system suffers from wastage of large amount of water in the irrigation process, and critical investments in new seeds, farming technology, and techniques and the water infrastructure are not being made.

Adequate food supply at affordable prices is the basis of food security policy of any country, including Pakistan. Some progress has been made in increasing supply of food items. Malnutrition however, continues to be an area of concern for public health. About 50 percent of infant and child deaths relate to malnutrition.

Availability of food

The average caloric availability was at 2441 and protein at 72.9 grams per capita/day in FY10. The government has tried to maintain the availability at the level of 2400 calories per person per day. There have been changes in the composition of food intake over time. In the paper *'The State of Food Security in Pakistan: Future Challenges and Coping Strategies'*, Munir Ahmad and Umar Farooq have shown the changes in the composition of food intake show a shrinking share of wheat in total calories available and a rising share from animals and other sources. The share of wheat declined from 48 percent in 1990 to 38 percent in 2006, while the share of other cereals declined more prominently, from 20 percent in 1970 to 6 percent in 2006. The share of livestock products in calorie intake increased from 12 percent in 1970 to 18 percent in 2002, which marginally declined to 15 percent in 2006. The share of other items (vegetable oils, vegetables fruits and sweeteners) has substantially increased from 20 percent in 1970 to 37 percent in 2006.

Per Capita Availability of Food in Pakistan

Years	Per capita annual availability (kg/person/annum)							Per capita daily avail. (kg)
	Food grains	Edible Oil/ Veg. Ghee	Meat	Milk	Fruits	Vegetable	Total	
1990-91	137.44	9.99	13.90	60.93	47.73	23.49	293.48	804.06
1995-96	148.55	11.42	17.25	67.16	56.23	27.03	327.64	897.64
2000-01	136.51	11.48	14.42	82.92	51.31	28.65	325.29	891.20
2001-02	135.53	10.67	14.50	83.45	51.29	25.35	320.78	878.85
2002-03	142.38	10.77	14.65	84.28	50.36	26.65	329.09	901.61
2003-04	143.83	11.16	14.74	84.42	47.82	28.23	330.20	904.66
2004-05	142.58	12.35	15.19	85.50	52.64	26.17	334.42	916.23
2005-06	140.98	12.75	16.33	90.30	51.25	31.18	342.79	939.14
2006-07	144.79	12.81	16.70	94.54	50.04	29.79	348.67	955.26
2007-08	155.04	13.29	17.00	93.93	53.71	31.23	364.20	997.79
2008-09	153.99	13.45	17.50	94.81	52.88	24.06	356.69	977.22

Source: *The State of Food Security in Pakistan, Future Challenges and Coping Strategies* by Munir Ahmad & Umar Farooq

Pakistan has had to import significant quantities of wheat, pulses and edible oil to meet the needs of its fast growing population. In 2008-09, wheat worth \$1.08 billion was imported, palm oil worth \$1.39 billion and pulses worth \$236.4 million. Total imports under the food category amounted to \$4.15 billion.

A key factor to an individual's access to food is per capita income. Does the household and all members of the household have enough resources to acquire food meeting the nutritional requirements. In a paper, *'Determinants of Food Security in Rural Areas of Pakistan'*, Khan, Rana Ejaz Ali and Gill, Abid Rashid, analyzed the three components

of food security i.e. food availability, accessibility and absorption for rural areas of Pakistan by using district level data.

The major findings of the paper are that food availability require the increase in production of wheat, rice, maize, pulses, oilseeds, meat and milk. In the component of food accessibility, the electrification of the district and adult literacy rate can positively contribute towards food accessibility. The marginal cultivators need specific policy focus. In the components of food absorption, the child immunization, female literacy, safe drinking water and the number of hospitals emerged as important areas to increase food security.

In a paper, '*Food Security Context Analysis for South Asia: Bangladesh, India, Pakistan, Nepal*', J.M. Kaspersma, the author has identified some of the primary causes of food insecurity in Pakistan. These are mentioned below: -

- *Water resources and irrigation*  
Efficiency at farm level is low and this is attributed to irrigation practices, unreliable water supply and crop damages. A lack of knowledge on efficient irrigation techniques and low investment potential are other reasons.
- *Salt water intrusion*  
The intrusion of salt water in the coastal areas of Pakistan is a serious threat to food security in these areas.
- *Pollution as a result of reduced water flows*  
As a result of population growth and reduced water flows downstream, Indus pollution is worsening. Sewage disposal, toxics from industrial discharges and pesticides and chemicals are increasing in the Indus. As a result, water borne diseases are on the rise, and aquatic life has been impacted.
- *Use of untreated waste water in agriculture*  
The practice of using untreated waste water for irrigation is widespread but has been largely ignored. This poses a risk to agricultural workers, crop handlers and consumers.
- *Drought*  
Low rainfall in Balochistan and Sindh province, alongwith extraction of groundwater and rise in temperatures create water scarcity and makes

them vulnerable to drought. People are forced to migrate, prices of food commodities go up, while income of the people in drought affected areas goes down, reducing their purchasing power and thus their calorie intake.

- *Drinking water*  
A number of areas have piped water supply schemes, but the sand filters the schemes rely on for water treatment are sometimes dysfunctional due to lack of funds for maintenance, and, in effect, villagers are often being supplied with untreated water to be used as drinking water.
- *Health*  
Poor water quality leads to a number of water borne diseases. At many places people and animals drink from the same open ponds. This causes health problems.
- *Gender Inequality*  
There is a marked difference between the health status of women and men in Pakistan. This is a direct consequence of the lower social status accorded to women and girls, who as a result tend to eat less and face additional barriers when accessing health care.
- *Inequity in household food distribution*  
There is a gender bias in favour of male children, both in terms of feeding and seeking health care.
- *Nutrition education*  
There is a lack of awareness of the kind of nutrition that is required for a healthy body. Many people suffer from malnutrition because they do not know about the nutrients they need.

In the new global hunger index by the *International Food Policy Research Institute*, Pakistan is ranked at 52nd place. The index rated 84 countries on the basis of three leading indicators — prevalence of child malnutrition, rate of child mortality and the proportion of

## Global Hunger Index

	1990	2010
Bangladesh	35.8	24.2
India	31.7	24.1
Nepal	27.5	20.0
Pakistan	24.7	19.7
Sri Lanka	21.1	14.5

*values between 10.0 and 19.9 indicate a serious problem, while figure above 20.0 implies that the situation is serious*

Box 'B'

***Food Insecurity in Rural Pakistan — 2003***  
***Sustainable Development Policy Institute***

The SDPI had undertaken a study in 2003 in collaboration with WFP to analyze food security in rural Pakistan. It analyzed the three determinants of food security, namely; physical access to food (availability), economic access to food and food absorption. Given below are excerpts from the mentioned Report: -

- Food availability, the 1st pillar of food security, was assessed on the basis of food production and consumption.
- Out of 120 districts setting in Pakistan, 74 (62%) were found to be food deficit in terms of net availability.
- Wheat, a staple, catering for 48 percent of caloric needs in Pakistan, was found deficit in terms of net availability.
- Out of 120 districts, only 48 (40%) were producing surplus or enough to cater to the needs of these districts.
- Food Security Analysis (FSA) 2003 ranked, in terms of availability, NWFP, Northern Areas and Azad Jammu & Kashmir as net food insecure.
- On overall crop-based food availability (exclusive of livestock products) out of 120 districts, 39 (32%) had surplus production, 6 (5%) were self-reliant while 35 (29%) were extremely insecure and 40 (33%) experienced deficit of low to high degree.
- Out of 120 districts, 43 (36%) have surplus production and another 37 (31%) have sufficient livestock-based food production.
- In total, out of 120 districts, 80 (67%) are self-reliant and only 40 (33%) encounter some degree of deficit in livestock-based food.
- On net agro-livestock products basis, including both key sources of food availability, 34 (28%) out of 120 districts were found surplus. These figures, translated into net food availability, suggest that 74 (62%) out of 120 districts faced deficit of varying degree.
- In terms of economic access to food, as against the physical access food availability affords, FSA 2003 revealed that income inequality factors especially land, and access to opportunities such as education and employment have led to a wide range of disparities.
- Reduced capacity of agriculture sector in terms of gainful employment is another important factor impacting opportunities in rural Pakistan.
- The number of landless farmers too was high, for example, in 30 (25%) districts, the number of such farmers was above 20 percent. As a result, the low income of 96 (80%) districts out of 120 were found further plunging into low through very low to extremely low income bracket, impacted economic access to food.
- Effective biological utilization or food absorption, the 3rd pillar of food security, was assessed on the basis of parameters including access to safe drinking water, immunization cover and infant mortality, access to medics and paramedics and rural health infrastructure.
- It revealed that out of 120 only 11 (9%) districts of Pakistan performed reasonably well, while 45 (38%) experienced extremely low rate of food absorption. Poor food absorption speaks of nutritional insecurity, even if food is available and is also accessible.
- The contributory factors to this state of affairs include inter alia the poor access to potable water, for example in 113 (94%) out of 120 districts, safe drinking water was available to less than 50 percent of the population. It implies that 50 percent of the population drinks unsafe water which contaminates food.
- Overall health security as assessed by rural health infrastructure and access to medics and paramedics was another contributory factor towards poor food absorption. For instance, in 117 (98%) out of 120 districts, rural health facilities were less than 51 per million population.
- FSA 2003 also came up with substantial evidence that inter and intra provincial disparities exist in terms of food security. For example, majority of food insecure districts 28 percent fall in Balochistan, followed by 26 percent in NWFP, 14 percent in Sindh, 13 percent in Punjab, 9 percent in FATA, 6 percent in Northern Areas and 5 percent in Azad Jammu & Kashmir.
- In the intra-provincial context, 65 percent of food insecure districts were in Sindh, 29 percent in Punjab, and 88 percent in NWFP, 85 percent in Balochistan, 100 percent in Northern Areas and FATA.
- The findings support the argument that hidden hunger is more pronounced in Pakistan than what macro picture of food security presents.
- The incidence of food poverty in rural areas has increased from 26 percent in 1993-94 to 35 percent in 1998-99, which is higher than that of urban centers. With increasing poverty, Pakistan, despite its efforts to be food secure at macro level, has become a food insecure country at the household level.
- FSA 2003 suggests that 38 districts out of 120 are the most vulnerable being poor and extremely food insecure. Majority of these districts fall in Balochistan and NWFP.
- There are another 16 districts falling in 'very food insecure', and 26 districts in 'low food insecure' zones. In total, 80 districts out of 120 are vulnerable to food security.



Box 'C'

***Food Insecurity in Pakistan — 2009***  
***SDPI, SDC, WFP***

This report is a follow up of the Food Security Analysis of Rural Pakistan – 2003. SDPI was supported by the Swiss Agency for Development and Cooperation and World Food Programme. The report provides a ranking of districts of Pakistan on the basis of food security and gives a comparison of the current food security situation with the year 2003. We give below excerpts from the Report: -

- It is observed that state of food security in Pakistan has deteriorated since 2003. The conditions for food security are inadequate in 61 percent districts (80 out of 131 districts) of Pakistan. This is a sharp increase from 2003, when conditions for food security were inadequate in 45 percent districts (54 out of 120 districts) of Pakistan. Almost half of the population of Pakistan (48.6%) does not have access to sufficient food for active and healthy life at all times.
- Inter and intra provincial disparities exist in terms of food security. FATA has the highest percentage of food insecure population (67.7%) followed by Balochistan (61.2%) and Khyber-Pakhtunkhwa (KPK) (56.2%). The lowest percentage of food insecure population (23.6%) is in Islamabad. Among the districts, Dera Bugti in Balochistan has the highest percentage of food insecure people (82.4%).
- Balochistan has the highest number of districts with worst conditions for food security.
- Although Pakistan witnessed a six percent increase in surplus wheat producing districts (from 24% in 2003 to 30% in 2009), the percentage of surplus food (aggregate of both animal and crop based food) producing districts declined from 28.3 percent in 2003 to 17.5 percent in 2009.
- The percentage of districts with adequate conditions for reasonable access to food was not very promising in 2003. Only 13.3 percent i.e., 16 out of 120 districts had adequate conditions for reasonable access to food. However, this situation seems to be further aggravated in 2009 when only 7.6 percent districts (10 out of 131) fell in the category of having reasonable conditions for access to food.
- The third pillar of security, i.e. food absorption, was measured based on the state of sanitation, access to drinking water, and female literacy rate. Only 9 percent districts (11 out of 120) displayed conditions for reasonable food absorption in 2003. In 2009 the situation had further deteriorated with only 7.6 percent (10 out of 131) districts in Pakistan meeting these prerequisites.
- One quarter of the total districts in Pakistan has extremely poor sanitation facilities where more than 50 percent of houses are without toilet. Similarly one quarter of the total districts has extremely poor state of drinking water where more than 50 percent households have no access to clean potable water. Almost a quarter (23%) of the districts have an extremely low female literacy rate (10% or below). FATA with 6.2 percent female literacy rate is the worst.
- The number of surplus food producing districts has declined from 34 in the year 2003-04 to 24 in 2009-10. Proportionally, the food deficit districts have increased from 62 percent in 2003 to 76 percent in 2009.
- Many factors are responsible for this decline in food availability. Some of them include; population growth, rapid urbanization, turning cultivable land into housing societies, climate change especially reduced water availability and brief rainy seasons, increase in prices of inputs, lack of coherent agricultural development policy, and shrinking investment both from the public as well as the private sector in agricultural research and development.
- Physical availability of food is declining in Pakistan. First, production and distribution systems are inequitable. Second, a low income coupled with a higher rate of unemployment. Third, an important factor affecting access to food is national governance. International communities and donors may help countries like Pakistan to improve the physical availability of food through food exports, food grants, and food loans etc, however, their efforts must be supported by good governance at the domestic level which is missing in Pakistan.
- The composite indicator of access to food shows that 42 percent of the districts in Pakistan are extremely low in access to food. Around 76 percent of districts are in the range of low to extremely low in access.
- Food absorption is the third pillar of food security. The indicators used to assess food absorption include, access (or lack of access) to clean drinking water, environmental hygiene, health infrastructure, individual health status and female literacy rate etc. Nutrition security cannot be achieved without environmental hygiene, primary health care and clean drinking water.
- In the country, 59 percent of the districts are in extremely low or very low food absorption groups. Food absorption indicators show a very bleak picture of the population. A limited number of districts (only 10 out of 131) have reasonable food absorption.
- In comparing the present data with the food security report of 2003, the extremely and very low food absorption districts increased from 55 percent to 59 percent. On the other hand, the districts with reasonable food absorption decreased from 9 percent to 7 percent.
- Across the country, 48.6 percent of the population is food insecure, with various degrees of food insecurity. Of the total food insecure population 22.4 percent are extremely food insecure in the country.

people who are caloric deficient. The global hunger index shows some improvement over the 1990 GHI, falling for Pakistan from 24.7 percent to 19.1 percent. India has been ranked at 67, China is at 9th place, Sri Lanka at 39th position, Nepal ranked 56 by index, while Bangladesh is listed at 68th position.

The Sustainable Development Policy Institute had in 2003 carried out a district ranking of Pakistan on the basis of food security in collaboration with the World Food Program. Excerpts from the report are given in *Box B*. This report was later updated (2009) and it ranked districts of Pakistan on the basis of food insecurity. This work was carried out in collaboration with World Food Program and Swiss Agency for Development & Cooperation. Highlights from the report are given in *Box C*.

The findings show that the state of food security has deteriorated in the intervening period of the two reports. The conditions for food security are inadequate in 61 percent districts (2009), against 45 percent districts in 2003. Almost 48.6 percent of the population does not have the access to sufficient food for an active and healthy life at all times.

The SDPI 2009 report shows that the ten most food insecure districts include Kohistan, Upper Dir, Muhmand, North Waziristan, South Waziristan, Dalbidin, Musakhel, Dera Bugti, Orakzai and Panjgur. These are the districts where there is a fight against militancy. This implies that food insecurity factor can no longer be ignored in Pakistan and needs to be treated as a grave security issue.

This requires, sufficient quantity of food available to all individuals and the individual's access to the food available in the market. Even if the food is available in the market it does not guarantee food security, but depends on the people's purchasing power, availability of roads and infrastructure to acquire the food, and individuals health, influenced by sanitation, clean drinking water, proper storage of food etc. Therefore, simply emphasizing

on increasing food supply cannot assure food security.

#### Challenge for the government

The challenge is enormous for the government, as food security is a multi-facet issue. The demand for food is rising with growing population, but large numbers are unemployed and do not have the means to purchase available food. So at the household level, food security is more about the household income, food prices prevailing than just the availability of food. Economic access is denied to large proportion of the population who are extremely poor and cannot afford to pay the food prices in the market.

Sanitation and access to clean water is also an issue of major concern. Large numbers die every year because of water related diseases and lack of hygiene. There are also gender imbalances, significant variation in the income, inter-regional inequities between districts, urban - rural disparities etc.

In Pakistan, poverty remains a serious challenge, and around 43 percent of the population lives below and around the poverty line. They do not have access to necessities of life and face problems in terms of lack of education and health facilities. Pakistan has the lowest public health expenditure among South Asian countries and despite some improvements in maternal health over the last few years, it is still far from achieving the target of 140 deaths per 100,000 live birth by the end of 2015.

To ensure household food security there are some safety net programmes in Pakistan; *Pakistan Bait-ul-Mal, Zakat, Benazir Income Support Programme* to cater to the needs of the poorest of the poor sections of the society, *Pakistan Poverty Alleviation Fund* for poverty reduction, some programmes being implemented at provincial level like school feeding, child nutrition, safe motherhood etc. On the supply side programmes have been undertaken to increase agri productivity. More efforts are needed to narrow the gap between population growth and domestic food production, and raise productivity of food crops.

Between 2003-09 food security deteriorated

Selected Food Security Indicators – South Asian Countries

	Unit	Bangladesh		India		Maldives		Nepal		Pakistan		Sri Lanka	
		2005-07	2005-07	2005-07	2005-07	2005-07	2005-07	2005-07	2005-07	2005-07	2005-07	2005-07	2005-07
Population	000 Nos.	155446	1147678	297	27756	169488	19705						
Dietary Energy Supply (DES)	kcal/person/day	2250	2300	2680	2350	2250	2390						
Proportion of Undernourishment	%	27	21	7	16	26	19						
Number of Undernourished	Mn	41.7	237.7	19.8	4.5	43.4	3.8						
Minimum Dietary Energy Requirement	kcal/person/day	1760	1780	1790	1720	1730	1810						
Ratio of Production to Consumption by Major Commodity													
Flour of wheat	%	101.8	100.2	0.0	109.1	103.7	111.5						
Sugar, refined	%	89.2	107.6	488.4	125.4 (Potatoes)	82.4	166.7 (Coconuts)						
Rice, milled	%	103.6	111.8	(Pelagic Fish)	103.5	229.7	101.3						
GDP at Market Prices (constant 2000 US\$)	Mn US\$	65470	707586	974	6704	100141	21337						
National (Poverty Headcount)	%	40.0 (2005)	28.6 (2000)	-	30.9 (2004)	32.6 (1999)	22.7 (2002)						
Rural (Poverty Headcount)	%	43.8 (2005)	30.2 (2000)	-	34.6 (2004)	35.9 (1999)	7.9 (2002)						
Urban (Poverty Headcount)	%	28.4 (2005)	24.7 (2000)	-	9.6 (2004)	24.2 (1999)	24.7 (2002)						
Gini of Income	%	31.0 (2005)	37.0 (2005)	37.0 (2004)	47.2 (2004)	31.0 (2005)	41.0 (2002)						
Gini of Dietary Energy Consumption	%	17.6 (1981-82)	15.0 (2004-05)	13.8 (1995)	15.4 (1995)	17.9 (1988)	15.5 (1986)						
Share of Food in Total Expenditure	%	53.8 (2005)	49.5 (2004)	29.9 (2003)	59.0 (2003)	47.6 (2004)	39.6 (2005)						
Share of Agricultural Labour Force in Total Labour Force	%	49.2	56.3	17.9	93.1	40.9	43.7						
Agricultural Production	000 MT												
Wheat	000 MT	-	71266	25 (Fresh Vegetables)	2195 (Fresh Vege.)	30247*	2070 (Coconuts)						
Rice, Paddy	000 MT	41209	140466		4060	22061	-						
Child Nutritional Status	%	36.0 (2007)	43.0 (2005-06)	25.0 (2001)	43.0 (2006)	37.0 (2001-02)	14.0 (2000)						
Stunting, less than - 2 s.d	%	-	-	4.9 (2005)	-	31.2 (1990-94)	-						
Adult Nutritional Status	%												
Underweight	%												
Health & Sanitation													
Under-five Mortality Rate – 2008	Per 1000 live births	54	69	28	51	89	15						
Infant Mortality Rate (0-1 year) – 2008	Per 1000 live births	43	52	24	41	72	13						
Access to Safe Water – 2008	%	43.0	52.0	24.0	41.0	72.0	13.0						
Access to Adequate Sanitation – 2008	%	53.0	31.0	98.0	31.0	45.0	91.0						

Source: Food & Agriculture Organization

\* Buffalo milk & cow milk whole (fresh) (In 000 MT)

## Quarterly Performance of Selected Banks – 2010

(Rs. Bn)

	Major Banks							Provincial Bank
	National Bank of Pakistan	Habib Bank	United Bank	MCB Bank	Allied Bank	Bank Al-Falah	Standard Chartered Bank	Bank of Khyber
<b>Assets</b>								
<b>2009</b>								
December	944.6	821.0	619.7	509.2	418.4	389.1	312.9	38.8
<b>2010</b>								
Q1 March	914.5	806.0	586.2	497.5	399.8	380.4	315.5	36.6
Q2 June	1007.9	839.5	645.2	532.1	432.7	387.6	299.3	45.9
Q3 September	928.9	831.3	621.7	539.5	412.5	387.1	329.7	44.0
<b>Deposits</b>								
<b>2009</b>								
December	727.5	653.5	492.0	367.6	328.9	324.8	207.0	26.3
<b>2010</b>								
Q1 March	713.8	647.2	451.3	391.6	317.7	316.4	209.7	25.6
Q2 June	816.5	674.8	499.9	419.3	352.6	315.1	205.7	30.8
Q3 September	744.1	658.8	491.2	422.3	328.6	308.1	222.5	28.2
<b>Advances</b>								
<b>2009</b>								
December	475.2	432.3	354.1	253.2	237.3	188.0	124.4	11.8
<b>2010</b>								
Q1 March	457.2	412.9	331.5	242.2	227.0	185.6	128.7	11.9
Q2 June	460.3	424.8	343.3	245.1	234.0	198.9	125.8	18.8
Q3 September	448.0	413.0	334.8	228.6	220.8	199.3	125.5	19.6
<b>Investment</b>								
<b>2009</b>								
December	217.6	209.4	136.1	167.1	94.8	99.2	83.8	17.9
<b>2010</b>								
Q1 March	254.2	203.7	141.5	157.0	94.2	105.6	84.7	16.6
Q2 June	243.6	224.4	169.1	179.5	110.3	104.6	72.7	18.7
Q3 September	258.3	201.8	159.8	207.8	123.0	99.0	101.8	16.6
<b>Equity</b>								
<b>2009</b>								
December	94.1	71.2	52.3	61.1	25.9	19.8	44.7	5.0
<b>2010</b>								
Q1 March	90.9	69.0	52.1	62.8	26.3	20.4	45.5	5.1
Q2 June	94.4	73.0	55.0	64.8	28.1	19.9	46.0	5.3
Q3 September	97.7	77.8	57.2	67.1	28.8	20.4	46.6	5.3
<b>Interest Income</b>								
<b>2009</b>								
December	77.9	74.8	60.9	51.6	41.1	35.6	26.7	3.4
<b>2010</b>								
Q1 March	21.0	19.2	14.1	13.1	10.9	9.2	7.0	0.9
Q2 June	22.4	20.0	14.3	13.3	10.9	9.3	6.6	0.9
Q3 September	22.1	20.0	14.8	13.8	11.4	9.4	6.9	1.2
<b>Interest Expense</b>								
<b>2009</b>								
December	39.5	33.1	28.2	15.8	22.4	24.7	10.4	2.4
<b>2010</b>								
Q1 March	11.0	8.6	6.0	4.4	5.6	6.2	2.7	0.6
Q2 June	11.7	8.5	6.0	4.3	5.7	5.9	2.5	0.6
Q3 September	11.2	8.4	6.2	4.6	5.4	5.8	2.7	0.8
<b>Net Interest Income</b>								
<b>2009</b>								
December	38.5	41.7	32.7	35.8	18.7	10.9	16.3	1.0
<b>2010</b>								
Q1 March	10.1	10.6	8.1	8.7	5.3	3.0	4.4	0.2
Q2 June	10.7	11.4	8.3	9.0	5.2	3.3	4.1	0.3
Q3 September	10.9	11.6	8.6	9.3	6.0	3.6	4.2	0.4
<b>Non Interest Income</b>								
<b>2009</b>								
December	19.0	9.9	11.7	5.6	6.0	5.2	6.9	0.4
<b>2010</b>								
Q1 March	4.0	2.7	2.4	1.4	1.6	1.0	1.4	0.3
Q2 June	4.2	2.9	2.4	1.6	1.0	1.2	1.6	0.09
Q3 September	3.1	2.4	2.6	1.6	1.0	1.1	1.4	0.09
<b>Admn. Expense</b>								
<b>2009</b>								
December	22.6	21.7	16.6	10.1	9.4	10.9	12.2	0.7
<b>2010</b>								
Q1 March	5.8	5.6	4.1	2.6	2.8	2.8	3.1	0.2
Q2 June	7.0	6.2	4.3	3.3	2.7	3.1	3.3	0.2
Q3 September	6.7	5.9	4.4	3.5	2.7	3.1	3.6	0.2
<b>Profit/(Loss) B.T</b>								
<b>2009</b>								
December	22.3	19.5	14.1	23.2	10.5	1.0	1.3	-0.8
<b>2010</b>								
Q1 March	6.3	6.0	4.3	6.3	2.7	0.8	1.2	0.1
Q2 June	5.3	6.1	4.3	6.0	2.8	0.7	0.8	-0.02
Q3 September	5.0	6.1	4.4	7.2	3.2	0.7	0.9	-0.02
<b>Profit/(Loss) A.T</b>								
<b>2009</b>								
December	18.2	12.3	9.2	15.5	7.1	0.9	0.7	0.1
<b>2010</b>								
Q1 March	4.2	3.6	2.8	4.1	1.8	0.6	0.8	0.1
Q2 June	3.6	3.8	2.4	3.8	1.8	0.5	0.5	-0.2
Q3 September	3.5	3.9	2.9	4.6	2.2	0.4	0.6	0.03

		Domestic Private Banks										
		Askari Commercial Bank	Soneri Bank	Bank Al-Habib	Mybank	Habib Metropolitan Bank	Faysal Bank	KASB Bank	Silkbank*	Samba Bank Limited	NIB	Meezan Bank
<b>Assets</b>												
<b>2009</b>	<i>December</i>	254.3	95.3	249.8	35.5	237.4	180.9	59.2	68.7	23.7	208.1	124.2
<b>2010</b>												
<i>Q1</i>	<i>March</i>	268.3	98.0	259.7	36.7	237.5	168.7	60.1	67.5	22.2	207.3	125.5
<i>Q2</i>	<i>June</i>	280.0	102.7	281.8	38.7	235.9	178.2	60.4	73.0	27.0	179.0	136.5
<i>Q3</i>	<i>September</i>	289.6	101.1	278.9	35.8	229.0	169.4	57.7	72.8	25.8	161.7	143.4
<b>Deposits</b>												
<b>2009</b>	<i>December</i>	206.0	73.5	189.3	26.8	142.5	123.7	43.9	49.6	12.5	93.9	100.3
<b>2010</b>												
<i>Q1</i>	<i>March</i>	213.0	75.2	215.1	27.0	146.0	110.8	46.9	48.8	11.7	96.0	102.5
<i>Q2</i>	<i>June</i>	221.8	81.0	226.1	28.9	151.3	136.4	49.7	54.0	13.3	99.3	114.5
<i>Q3</i>	<i>September</i>	230.0	78.3	232.0	27.3	156.9	132.5	47.2	54.9	15.3	102.0	119.0
<b>Advances</b>												
<b>2009</b>	<i>December</i>	135.0	48.7	106.0	17.4	102.3	91.3	29.5	32.1	9.7	84.0	44.2
<b>2010</b>												
<i>Q1</i>	<i>March</i>	139.1	50.0	107.5	18.6	103.2	94.3	32.7	35.9	10.2	84.0	42.7
<i>Q2</i>	<i>June</i>	144.9	49.4	114.7	18.3	102.3	92.9	31.6	41.4	10.0	86.4	45.6
<i>Q3</i>	<i>September</i>	148.1	49.2	111.7	17.2	106.8	94.7	30.7	42.4	9.9	82.4	43.4
<b>Investment</b>												
<b>2009</b>	<i>December</i>	67.0	29.5	111.0	10.0	111.7	56.5	15.1	20.2	5.8	62.4	23.3
<b>2010</b>												
<i>Q1</i>	<i>March</i>	70.4	30.4	112.3	7.5	108.5	56.2	13.4	15.5	5.7	68.4	23.9
<i>Q2</i>	<i>June</i>	78.3	34.6	130.4	8.5	104.5	59.2	13.7	16.4	7.3	50.1	25.4
<i>Q3</i>	<i>September</i>	81.2	35.1	125.2	8.3	90.6	51.9	14.8	13.9	3.3	39.9	25.5
<b>Equity</b>												
<b>2009</b>	<i>December</i>	13.1	7.2	12.3	4.2	18.9	11.3	4.5	0.2	7.1	41.6	9.1
<b>2010</b>												
<i>Q1</i>	<i>March</i>	14.1	8.2	12.0	4.2	18.8	13.0	4.1	3.9	7.7	41.7	9.5
<i>Q2</i>	<i>June</i>	14.6	8.0	12.8	4.2	19.6	13.1	3.9	6.1	8.0	15.5	9.8
<i>Q3</i>	<i>September</i>	14.8	8.2	13.4	3.9	20.3	13.1	3.0	5.2	7.9	13.9	10.1
<b>Interest Income</b>												
<b>2009</b>	<i>December</i>	22.7	9.3	22.1	3.4	21.4	17.0	5.1	5.9	1.9	18.3	10.1
<b>2010</b>												
<i>Q1</i>	<i>March</i>	6.1	2.5	6.3	0.7	5.8	4.3	1.3	1.6	0.6	4.7	2.9
<i>Q2</i>	<i>June</i>	7.2	2.5	6.8	0.8	5.8	4.4	1.4	1.6	0.6	4.3	3.1
<i>Q3</i>	<i>September</i>	7.2	2.6	6.8	0.7	5.6	4.6	1.3	1.8	0.6	3.9	3.0
<b>Interest Expense</b>												
<b>2009</b>	<i>December</i>	13.6	6.6	13.1	2.9	14.7	12.0	5.5	5.9	1.2	12.9	5.0
<b>2010</b>												
<i>Q1</i>	<i>March</i>	4.0	1.8	4.0	0.6	4.1	3.1	1.3	1.5	0.3	3.4	1.4
<i>Q2</i>	<i>June</i>	4.3	1.8	4.2	0.6	4.0	2.9	1.3	1.4	0.3	3.5	1.6
<i>Q3</i>	<i>September</i>	4.7	1.8	4.0	0.6	3.8	3.3	1.3	1.5	0.3	3.4	1.7
<b>Net Interest Income</b>												
<b>2009</b>	<i>December</i>	9.0	2.7	9.1	0.5	6.7	5.0	-0.4	0.06	0.7	5.4	5.1
<b>2010</b>												
<i>Q1</i>	<i>March</i>	2.1	0.7	2.3	0.1	1.7	1.2	0.06	0.07	0.3	1.2	1.4
<i>Q2</i>	<i>June</i>	2.9	0.7	2.6	0.2	1.8	1.4	0.2	0.2	0.3	0.8	1.5
<i>Q3</i>	<i>September</i>	2.5	0.7	2.8	0.1	1.8	1.3	-0.03	0.3	0.3	0.6	1.4
<b>Non Interest Income</b>												
<b>2009</b>	<i>December</i>	2.6	1.2	1.8	0.4	3.7	2.8	0.6	0.7	0.09	1.7	1.6
<b>2010</b>												
<i>Q1</i>	<i>March</i>	0.6	0.3	0.5	0.09	1.0	2.2	0.2	0.2	0.01	0.7	0.4
<i>Q2</i>	<i>June</i>	0.6	0.3	0.5	0.09	1.2	0.8	0.2	0.7	0.01	0.3	0.5
<i>Q3</i>	<i>September</i>	0.6	0.3	0.5	0.1	1.0	0.4	0.1	0.06	0.03	0.3	0.6
<b>Admn. Expense</b>												
<b>2009</b>	<i>December</i>	7.0	2.1	5.0	1.0	3.5	4.2	2.4	2.7	1.4	5.3	3.5
<b>2010</b>												
<i>Q1</i>	<i>March</i>	1.9	0.6	1.4	0.3	1.0	1.2	0.6	0.7	0.3	1.6	1.1
<i>Q2</i>	<i>June</i>	2.0	0.6	1.5	0.3	1.0	1.3	0.6	0.7	0.3	1.6	1.2
<i>Q3</i>	<i>September</i>	2.2	0.7	1.7	0.3	1.0	1.3	0.7	0.9	0.3	1.4	1.1
<b>Profit/(Loss) B.T</b>												
<b>2009</b>	<i>December</i>	1.6	0.2	4.5	-2.2	4.2	1.3	-5.9	-4.3	-1.1	0.6	1.7
<b>2010</b>												
<i>Q1</i>	<i>March</i>	0.5	0.03	1.3	0.007	1.0	2.1	-0.4	-0.4	-0.06	0.04	0.6
<i>Q2</i>	<i>June</i>	0.6	-0.3	1.4	0.07	1.1	-0.5	-0.3	0.4	-0.03	-2.3	0.6
<i>Q3</i>	<i>September</i>	0.3	0.2	1.1	-0.3	0.9	0.09	-0.9	-0.9	-0.03	-2.4	0.5
<b>Profit/(Loss) A.T</b>												
<b>2009</b>	<i>December</i>	1.1	0.1	2.9	-1.6	2.7	1.2	-4.2	-2.9	-0.6	0.7	1.0
<b>2010</b>												
<i>Q1</i>	<i>March</i>	0.3	0.04	0.9	-0.02	0.7	1.7	-0.4	-0.4	-0.06	0.02	0.4
<i>Q2</i>	<i>June</i>	0.4	-0.2	0.8	-0.02	0.8	0.05	-0.3	0.6	-0.03	-2.0	0.4
<i>Q3</i>	<i>September</i>	0.2	0.2	0.6	-0.3	0.7	0.07	-0.9	-0.9	-0.03	-1.6	0.3

\* Formerly Saudi Pak Commercial Bank Limited



		Foreign Banks					
		Citibank	RBS	HSBC	Deutsche Bank AG	Oman International Bank	Barclays*
<b>Assets</b>							
<b>2009</b>	<i>December</i>	89.8	93.4	51.7	15.2	3.9	42.5
<b>2010</b>							
<i>Q1</i>	<i>March</i>	97.1	88.0	53.6	17.9	3.8	43.9
<i>Q2</i>	<i>June</i>	86.2	87.5	54.8	16.8	3.9	44.5
<i>Q3</i>	<i>September</i>	94.8	85.8	59.0	17.1	4.0	42.3
<b>Deposits</b>							
<b>2009</b>	<i>December</i>	58.1	63.6	40.8	6.0	0.7	29.9
<b>2010</b>							
<i>Q1</i>	<i>March</i>	63.2	64.6	42.0	5.8	0.5	31.2
<i>Q2</i>	<i>June</i>	57.5	66.0	42.6	7.6	0.7	33.0
<i>Q3</i>	<i>September</i>	64.7	67.1	47.4	7.2	0.7	29.9
<b>Advances</b>							
<b>2009</b>	<i>December</i>	28.2	48.5	23.2	3.5	0.4	18.0
<b>2010</b>							
<i>Q1</i>	<i>March</i>	25.7	44.7	20.7	3.0	0.4	17.7
<i>Q2</i>	<i>June</i>	22.3	43.0	21.4	2.4	0.4	16.5
<i>Q3</i>	<i>September</i>	21.2	40.6	22.0	2.7	0.4	16.4
<b>Investment</b>							
<b>2009</b>	<i>December</i>	33.1	27.4	5.4	0.5	-	11.6
<b>2010</b>							
<i>Q1</i>	<i>March</i>	44.6	25.2	5.0	0.5	-	15.5
<i>Q2</i>	<i>June</i>	33.1	25.6	6.2	0.9	-	19.4
<i>Q3</i>	<i>September</i>	31.7	28.5	6.5	2.1	-	15.0
<b>Equity</b>							
<b>2009</b>	<i>December</i>	8.7	6.9	5.5	5.2	2.8	6.8
<b>2010</b>							
<i>Q1</i>	<i>March</i>	8.8	5.8	5.6	5.1	2.8	6.4
<i>Q2</i>	<i>June</i>	8.9	4.9	5.8	5.0	2.9	6.8
<i>Q3</i>	<i>September</i>	9.0	5.0	6.0	5.2	2.9	6.7
<b>Interest Income</b>							
<b>2009</b>	<i>December</i>	10.0	11.6	4.7	1.1	0.06	3.3
<b>2010</b>							
<i>Q1</i>	<i>March</i>	2.2	2.5	1.2	0.3	0.016	1.1
<i>Q2</i>	<i>June</i>	2.2	2.2	1.2	0.3	0.016	1.1
<i>Q3</i>	<i>September</i>	2.6	2.3	1.2	0.3	0.015	1.1
<b>Interest Expense</b>							
<b>2009</b>	<i>December</i>	4.7	6.4	2.7	0.2	0.8	2.0
<b>2010</b>							
<i>Q1</i>	<i>March</i>	1.0	1.5	0.7	0.05	0.02	0.6
<i>Q2</i>	<i>June</i>	1.0	1.4	0.7	0.08	0.019	0.7
<i>Q3</i>	<i>September</i>	1.0	1.4	0.6	0.08	0.018	0.7
<b>Net Interest Income</b>							
<b>2009</b>	<i>December</i>	5.3	5.2	2.0	0.9	-0.004	1.3
<b>2010</b>							
<i>Q1</i>	<i>March</i>	1.2	1.0	0.5	0.2	-0.004	0.5
<i>Q2</i>	<i>June</i>	1.2	0.8	0.5	0.2	-0.003	0.4
<i>Q3</i>	<i>September</i>	1.6	0.9	0.6	0.2	-0.004	0.4
<b>Non Interest Income</b>							
<b>2009</b>	<i>December</i>	2.4	2.8	1.0	1.6	0.02	0.07
<b>2010</b>							
<i>Q1</i>	<i>March</i>	0.5	0.9	0.2	0.2	0.004	0.03
<i>Q2</i>	<i>June</i>	0.6	0.3	0.3	0.4	0.0009	0.08
<i>Q3</i>	<i>September</i>	0.5	0.4	0.3	0.4	0.003	0.05
<b>Admn. Expense</b>							
<b>2009</b>	<i>December</i>	4.0	5.8	2.2	0.9	0.06	4.0
<b>2010</b>							
<i>Q1</i>	<i>March</i>	0.9	1.4	0.5	0.2	0.01	0.6
<i>Q2</i>	<i>June</i>	0.9	1.5	0.4	0.2	0.01	0.6
<i>Q3</i>	<i>September</i>	1.3	1.2	0.7	0.2	0.01	0.6
<b>Profit/(Loss) B.T</b>							
<b>2009</b>	<i>December</i>	0.3	-1.9	0.3	1.2	-0.06	-2.3
<b>2010</b>							
<i>Q1</i>	<i>March</i>	0.3	-1.1	0.1	0.2	-0.01	-0.6
<i>Q2</i>	<i>June</i>	0.08	-0.9	0.3	0.4	-0.08	-0.1
<i>Q3</i>	<i>September</i>	0.4	0.1	0.2	0.4	-0.01	-0.2
<b>Profit/(Loss) A.T</b>							
<b>2009</b>	<i>December</i>	0.09	-1.3	0.3	0.8	-0.06	-1.7
<b>2010</b>							
<i>Q1</i>	<i>March</i>	0.2	-1.1	0.07	0.2	-0.01	-0.4
<i>Q2</i>	<i>June</i>	-1.8	-0.9	0.2	0.2	-0.08	-0.09
<i>Q3</i>	<i>September</i>	0.2	0.2	0.1	0.2	-0.01	-0.1

\* The Bank Commenced its Operations on July 23, 2008

## Selected Bank - Non Performing Loans

(Rs. Bn)

Banks	2009 December	% Share in Total NPLs	2010					
			Q1 March	Share %	Q2 June	Share %	Q3 September	Share %
National Bank of Pakistan	70.9	20.4	72.2	20.1	69.7	19.1	75.5	19.5
Habib Bank Limited	42.3	12.2	44.8	12.5	44.4	12.2	44.8	11.6
United Bank Limited	39.1	11.2	41.0	11.4	41.7	11.5	46.4	12.0
MCB	23.2	6.7	23.3	6.5	24.1	6.6	23.9	6.2
Allied Bank Limited	16.3	4.7	16.9	4.7	17.3	4.8	18.9	4.9
Bank Alfalah	16.2	4.7	16.2	4.5	16.5	4.5	19.0	4.9
Standard Chartered	21.4	6.1	21.1	5.9	21.1	5.8	21.1	5.5
Bank of Khyber	4.5	1.3	5.0	1.4	3.9	1.1	3.9	1.0
Askribank Limited	17.7	5.1	20.0	5.6	19.5	5.4	19.7	5.1
Soneri Bank	5.0	1.4	5.1	1.4	6.3	1.7	6.7	1.7
Bank al Habib Limited	2.1	0.6	2.1	0.6	1.5	0.4	1.7	0.4
Mybank	7.7	2.2	7.7	2.1	6.6	1.8	8.0	2.1
Habib Metropolitan Bank Ltd.	6.4	1.8	7.5	2.1	8.9	2.4	9.4	2.4
Faysal Bank Limited	10.7	3.1	10.5	2.9	11.1	3.0	12.2	3.2
KASB Bank	7.4	2.1	7.4	2.1	7.0	1.9	7.7	2.0
Silkbank	11.9	3.4	12.0	3.3	12.0	3.3	12.5	3.2
Samba Bank Limited	2.7	0.8	3.0	0.8	2.7	0.7	2.7	0.7
NIB Bank Limited	23.4	6.7	24.2	6.7	27.4	7.5	30.7	7.9
Meezan Bank Limited	3.6	1.0	3.6	1.0	3.9	1.1	4.0	1.0
Citibank	3.2	0.9	3.5	1.0	4.8	1.3	5.4	1.4
RBS	10.7	3.1	10.9	3.0	11.7	3.2	11.2	2.9
HSBC	0.5	0.1	0.5	0.1	0.5	0.1	0.5	0.1
Deutsche Bank AG	0.3	0.1	0.3	0.1	0.4	0.1	0.4	0.1
Oman International Bank	0.08	0.0	0.07	0.0	0.05	0.0	0.05	0.0
Barclays	0.9	0.3	0.9	0.3	0.8	0.2	0.7	0.2
<b>Total</b>	<b>348.112</b>	<b>100</b>	<b>359.67</b>	<b>100.0</b>	<b>364.123</b>	<b>100.0</b>	<b>387.048</b>	<b>100.0</b>

Source: Balance Sheet of Various Banks

## NPLs Advances Ratio

(%)

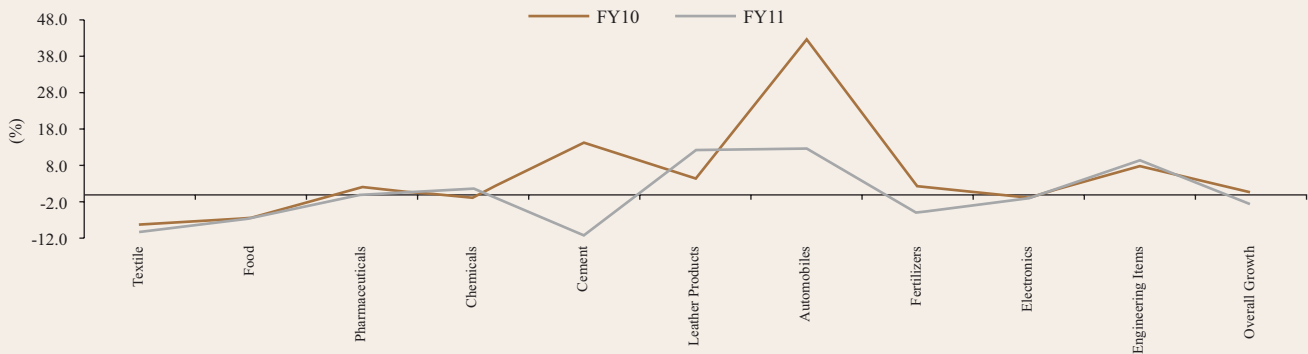
Banks	2009	2010		
	December	Q1 March	Q2 June	Q3 September
National Bank of Pakistan	14.9	15.8	15.1	16.9
Habib Bank Limited	9.8	9.8	10.5	10.8
United Bank Limited	11.0	12.4	12.1	13.9
MCB	9.2	9.6	9.8	10.5
Allied Bank Limited	6.9	7.4	7.4	8.6
Bank Alfalah	8.6	8.7	8.3	9.5
Standard Chartered	17.2	16.4	16.8	16.8
Bank of Khyber	38.1	42.0	20.7	19.9
Askribank Limited	13.1	14.4	13.5	13.3
Soneri Bank	10.3	10.2	12.8	13.6
Bank Al Habib Limited	2.0	2.0	1.3	1.5
Mybank	44.3	41.4	36.1	46.5
Habib Metropolitan Bank Ltd.	6.2	7.3	8.7	8.8
Faysal Bank Limited	11.7	11.1	11.9	12.9
KASB Bank	25.1	22.6	22.2	25.1
Silkbank	37.1	33.4	29.0	29.5
Samba Bank Limited	27.8	29.4	27.0	27.3
NIB Bank Limited	27.9	28.8	31.7	37.3
Meezan Bank Limited	8.1	8.4	8.6	9.2
Citibank	11.3	13.6	21.5	25.5
RBS	22.1	24.4	27.2	27.6
HSBC	2.2	2.4	2.3	2.3
Deutsche Bank AG	8.6	10.0	16.7	14.8
Oman International Bank	20.0	17.5	12.5	12.5
Barclays	5.0	5.1	4.8	4.3
<b>Total</b>	<b>12.0</b>	<b>12.7</b>	<b>12.6</b>	<b>13.7</b>

## Banks' Mergers/Name change

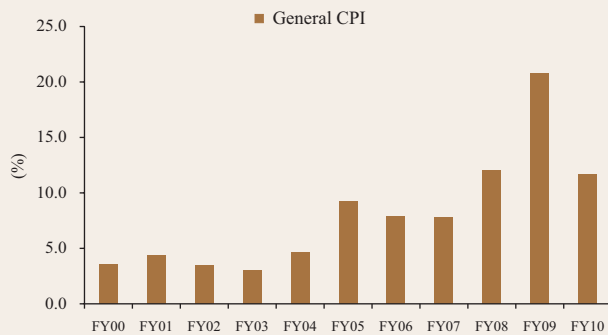
- 1 The banking licence of RBS Pakistan was cancelled w.e.f. close of business on December 31, 2010. RBS has merged with Faysal Bank Ltd.
- 2 Atlas Bank Ltd de-scheduled w.e.f. close of business on December 31, 2010 and merged with Summit Bank Ltd.
- 3 Sindh Bank Ltd declared a scheduled bank w.e.f. December 24, 2010.
- 4 Name of Emirate Global Islamic Bank Ltd changed to Al-Baraka Bank (Pakistan) Ltd w.e.f. October 29, 2010.
- 5 The name of Arif Habib Bank Ltd changed to Summit Bank Ltd w.e.f. August 18, 2010.

## Economy at a Glance

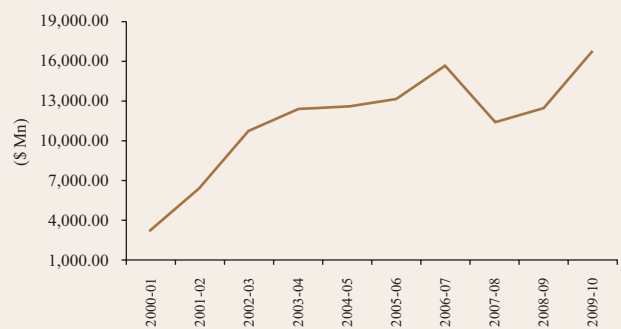
Growth in Production of Selected Large-scale Manufacturing Items



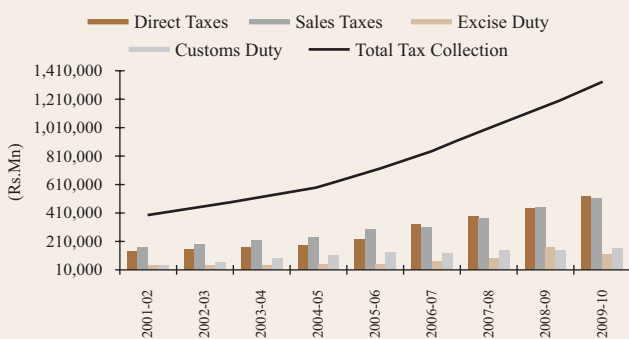
Trends in Inflation



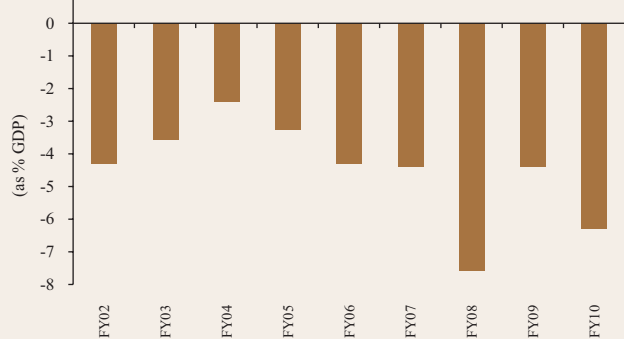
Liquid Foreign Exchange Reserves



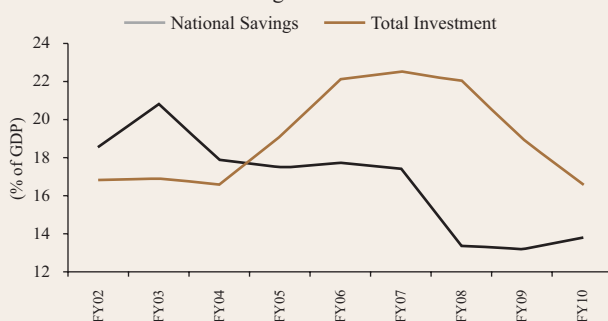
FBR Tax Collection



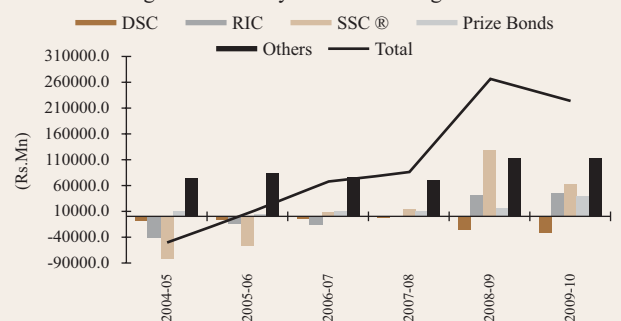
Fiscal Deficit



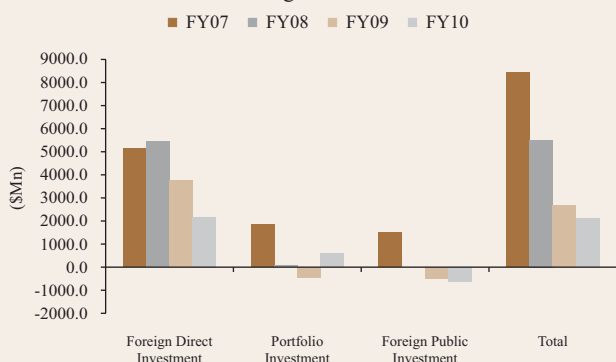
Savings/Investment



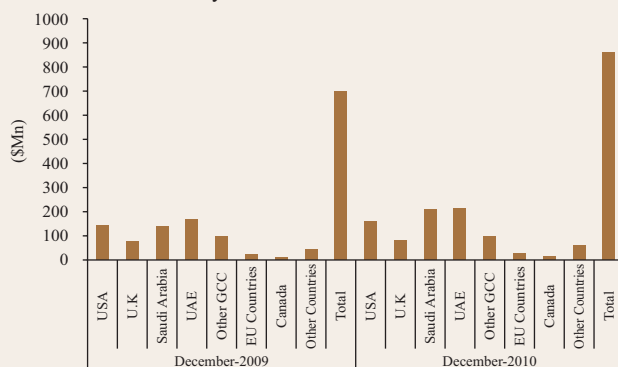
Savings Mobilised by National Savings Schemes



### Net Inflow of Foreign Investment in Pakistan



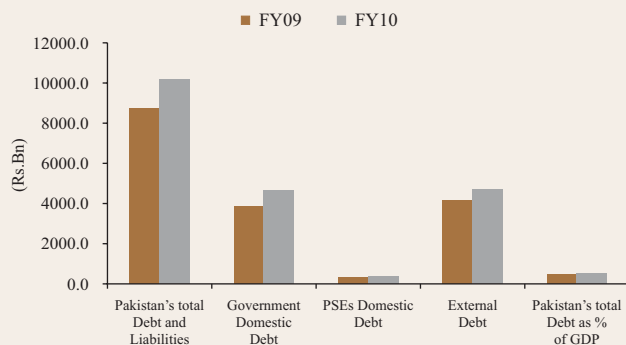
### Country-Wise Workers' Remittances



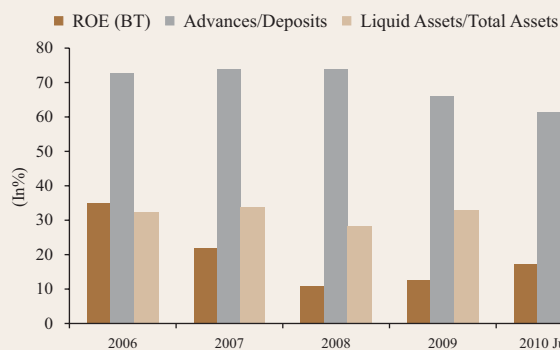
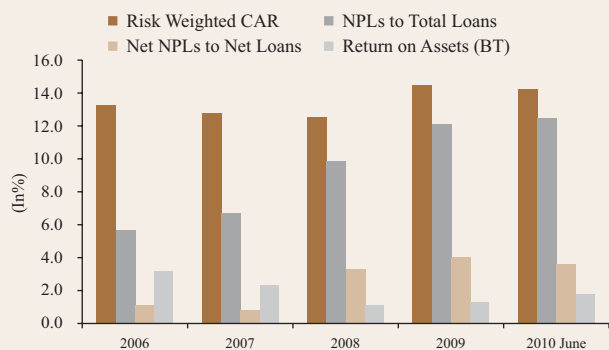
### Balance of Trade



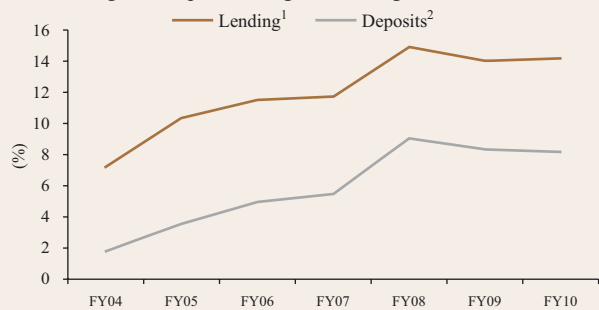
### Pakistan's Debt and Liabilities Profile



### Commercial Banks Key Financial Indicators

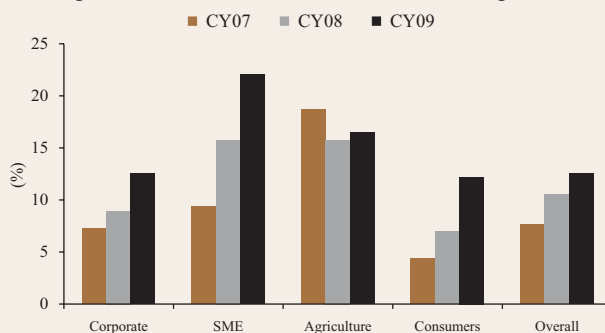


### Lending and Deposits Weighted Average Rates All-Banks



1. Outstanding loans - excluding zero markup  
2. Outstanding deposits - excluding zero markup

### Segment-wise NPLs to Loan Ratio of the Banking Sector

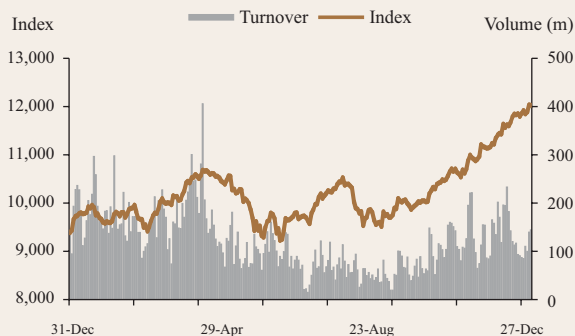


## Market Analysis

### Market Review – CY 2010

The KSE-100 Index experienced a dull first half of the year in 2010 but a bullish second half on the back of foreign fund inflow despite the devastating floods, poor macroeconomic performance and political uncertainty. Overall, the KSE-100 Index gained 28.1 percent or 2,635 points for the year ended December 31, 2010 to 12,022 points on an average daily volume of 121.11m shares as compared to 170.93m during CY09. The KSE-30 Index increased by 17.6 percent or 1,738 points to close the year at 11,588. According to the NCCPL figures, the net foreign portfolio inflow in the equity bourses came to US\$ 526.37m during CY2010. Looking back at the last 12 months, the market can be segmented into 5 distinct phases: 1) bullish start; 2) slump and pre and post budget activity; 3) July recovery; 4) floods and Ramadan activity and; 5) the bell lap.

The Market - January-December 2010



Bullish start

During the first three and half months of 2010, the KSE was mostly bullish with a short period during mid-January to February that saw some dullness in the market owing to activity in lower tier stocks and uncertainty on the political front due to the judicial crisis in February over judges appointments and announcement of capital gains tax expected in the federal budget in June. The KSE-100 Index gained 1,290 points or 13.75 percent with an average daily turnover of 180.98m shares to close at 10,677 on April 15. The

main factors behind the bullish sentiments during this period were:

- Foreign buying interest in KSE-100 Index heavy weight stocks such as OGDC, PPL and PTCL;
- Improvement in selected macroeconomic indicators such as continued declining trend in inflation, trade deficit and higher overseas remittances;
- There was positive news flow regarding the Pakistan-U.S. strategic dialogue that was held in Washington during the third week of March;
- Passage of the 18th Amendment Bill in the National Assembly in April and;
- Moody's affirmation of Pakistan's sovereign rating with a stable outlook, yields on Pakistan Eurobond falling below 8 percent for the first time in nearly 2 years and slight recovery in banking credit to the private sector.

From April 15 to June 1, the KSE experienced a slump during the run-up to the budget session in June. Subsequently to the federal budget on June 5, the market became lacklustre and range bound. The KSE-100 Index shed 955 points on average daily volume of 108.59m shares to close at 9,721 on June 30. The key developments behind the slump and sluggishness in the market during this period were:

- Sporadic foreign fund flow;
- Compliance problems between the GoP and the IMF over the approval of the fifth tranche;
- Rising inflationary trend in the months of March and April;
- News reports that the Finance Ministry was re-evaluating the capital gains tax mechanism expected for FY11 that was agreed upon between the then Finance Minister Shaukat Tarin and the KSE back in February;
- Continuing circular debt crisis impacting the energy sector;

Slump and Pre and Post Budget Activity



- The Greek economic crisis may have had a negative spill over effect among foreign investors;
- Worsening law and order situation in parts of the country, especially in Punjab and;
- There was vagueness in the budget regarding the modalities of the newly introduced Capital Gains Tax.

## July Recovery

The market posted a recovery during the month of July albeit on thin turnover which was likely attributed to the induction of the Capital Gains Tax on July 1. The KSE-100 Index gained 797 points or 8.20 percent on average daily turnover of 67.76m shares to end the month at 10,519. The sentiments turned positive on the back of foreign buying and news of leverage product approval on the cards. Foreign buying interest in Oil and gas E&P stocks, especially OGDC led to the sharp rise in the Index. Other developments during the month were:

- PSO announcing its due-diligence for the acquisition of additional 30 percent stake in PRL;
- OGDC finding an additional 1200bpd oil and 1.5mmcf gas reserves in Rajan field;
- Faysal Bank's acquisition of RBS was given the go ahead by the central bank;
- U.S. Secretary of State Hillary Clinton announcing a US\$500m aid program for Pakistan and;
- Fauji Group was stirring excitement on account of Merger and Acquisition activity regarding Agritech Ltd.

## Floods and Ramadan Activity

From August 2 to 16, the KSE went into a bearish cycle in which the KSE-100 Index plunged by 981 points or 9.3 percent to close at 9,537. After a bullish July, the market was mainly bearish due to the possible adverse economic impact of the floods throughout the country and the delay in the implementation of a margin trading system.

The market began August on a negative note as the SBP raised the policy rate by 50 bps to

13 percent on July 31 which caught most investors on the back foot and thus, the immediate reaction on the bourses was bearish. In addition, the negative sentiments were further exacerbated by target killings in Karachi, leading to decline in market volumes. Adding to the despair of investors was the news of potential delays in the re-introduction of a leverage product because of a letter of dissent by the Chairman of the KSE Board of Directors reported by the media despite approval by the KSE Board of Directors.

From August 16 to the end of September, the KSE-100 Index gained 476 points or 5.0 percent to close at 10,013 on September 30. The Index became relatively flat during most of the Ramadan period due to concerns about the extent of the flood damage as 20 percent of the total land area of Pakistan was affected along with 20m people being homeless, but began a slight recovery post-Ramadan till the end of September. On the macroeconomic front, the government announced revised GDP growth target of 2.5 percent, inflation forecast of 15-20 percent and fiscal deficit of 6-7 percent of GDP for FY11, reflecting the impact of the current floods. In addition, the continued delay in the introduction of the margin financing product and news reports of dissension among the KSE Board members did not bolster investor sentiments during this period.

The KSE-100 Index began to rebound after Ramadan because of the SECP Policy Board approval of the concept paper of the margin trading system but with added risk management measures on September 15. The SBP at the end of September raised the policy rate again by 50 bps to 13.5 percent.

## The bell Lap

Despite the political uncertainty arising from the RGST issue and some difficulties with coalition partners, the market gained momentum during the last quarter of the year mainly on the back of foreign inflow with buying activity in oil and fertilizer stocks due to rising international crude oil prices and domestic fertilizer prices.

The last two weeks of December witnessed some dullness in the market in terms of volume because of year-end profit taking activity and political uncertainty. The KSE-100 Index in the final quarter gained 2,009 points or 20.1 percent to close at 12,022 on December 31.

The major news flow during this period was:

- The news of EU duty relief on goods imported from Pakistan including textiles;
- Rising cement prices in the north zone;
- Ogra notifying higher wellhead gas prices for 1HFY11 period;
- Additional oil and gas discovery at Tal Block coupled with the decision by the GoP to accede to the request of the OMC and other sectors to reduce the turnover tax from 1 percent to 0.5 percent;
- The government introduced in the Senate and National Assembly the Reformed Goods and Services Bill, flood surcharge of 10 percent and proposed hike in the Special Excise Duty from 1 percent to 2 percent in order to reduce the fiscal gap and to meet IMF conditions for release of the next tranche of US\$ 1.7bn under the SBA;
- Non-performing loans of the industry recorded its highest quarterly increase in six quarters of PKR 32bn to PKR 494bn as of September 30;
- The SBP decided to hike the policy rate by 50 bps at the end of November to 14 percent;
- Rising fertilizer prices for both urea and DAP and;
- IMF approved a nine-month extension of the SBA loan facility (remaining tranches of US\$3.6bn) with Pakistan to September 2011.

Regional valuation

Pakistan's 12-month forward PEx comes to 8.13 as against the regional average of 13.50, while the 12 month forward dividend yield comes to 5.22 percent as against the regional average of 2.53 percent. It is possible that the wide discount in PEx may narrow in 2011, as

long as liquidity from both local and foreign investors continues to flow into the bourses.

### Regional Valuation Comparison

Country	12m F PEx	12m F Dividend Yield (%)
China	16.40	1.20
Hong Kong	13.74	2.30
India	13.91	0.98
Indonesia	14.70	1.92
Malaysia	13.77	3.00
Pakistan	8.13	5.22
Philippines	13.14	2.24
Singapore	13.55	2.91
South Korea	9.99	1.18
Taiwan	13.32	3.25
Thailand	12.51	6.31

Source: Thomson One Analytics, Date: December 16, 2010

Looking ahead

The expectations for GDP growth for FY11 ranges between 2-3 percent while FY12 is estimated at 4 percent coupled with double-digit inflation. We expect that inflation would remain on the high side for the immediate term and thus, further monetary tightening is possible that should negatively impact equity valuations.

The precarious macroeconomic situation could receive another shock if Pakistan does not receive the next tranche from the IMF, as the GoP has been granted an extension of up to 9 months in order to meet IMF conditionalities such as implementation of RGST. The continuation of foreign portfolio flows is the main presumption that would drive the equity bourses upwards during 2011, but if the situation worsens on the economic or political front, the foreign portfolio money could exit the country despite the attractive valuations.

We expect that the KSE-100 index would continue to climb on the back of foreign portfolio inflows during the early part of 2011, which could lead to the Index touching the 13,000-level. However, the risk of a formation of an asset bubble remains high and a boom-bust period could come into fruition.

(Contributed by Taurus Securities Ltd, a subsidiary of National Bank of Pakistan)

## Book/Report Reviews

*State of the Economy  
Pulling Back from the Abyss  
Third Annual Report 2010  
Institute of Public Policy  
Beaconhouse National University  
Lahore*

This is the third annual report published by the Institute of Public Policy. It is an annual assessment on the state of the Pakistan economy. The country today faces a difficult time; fiscal balance has deteriorated, growth has stalled, infrastructural challenges are enormous, there is a near total breakdown in the delivery of basic public services like power, gas and water, regional disparities are widening, unemployment has risen with a big increase in the incidence of poverty, and the costs on the war on terror are imposing an increasingly heavy burden on the economy.

Then there are issues of governance. The Report states, the current governance problems in Pakistan, the worsening security and law & order situation, widespread corruption, and declining public authority and institutions, threaten future investments and growth as well as political and social stability. The Report further states, specific areas of governance reform in Pakistan must include the following: better policy framework, civil service reform, improved delivery of services, emphasis on curbing corruption by enhanced transparency and accountability, strengthening the rule of law and the role of civil society institutions.

The Report presents the positive and negative aspects of the current economic, social and political situation in the country to assess if the country is about to fall into an abyss. It also outlines a strategy for a transition to a better future provided certain conditions are met.

There are eight chapters in the Report. While the first chapter highlights the positive and negative developments in the economy, the following chapter discusses the macro economic imbalances and how can the macro

economic situation be kept from deteriorating. The country faces a number of constraints on growth, which has undermined investor confidence, encouraged flight of capital, considerable loss of competitiveness in manufactured exports, lack of adequate investment in industry and human capital etc. Agenda for reforms has been discussed.

Energy shortages, both of electricity and gas and water shortages, not only constrain growth in terms of GDP forgone, but have implications on employment, exports and development in general. The cost to the economy of outages to the industrial sector in 2009 was Rs230 billion. This is equivalent to 11 percent of industrial value added. This has led to a loss of industrial employment of about 535,000 workers. Water shortage is a major threat to the economy. A strategy needs to be devised based on essential elements covering both water development and water management.

The Report talks about the eighteenth amendment, fiscal decentralisation, strengthening of local governance and provincial finances. The 7th NFC Award constitutes a big step forward in fiscal devolution.

*Money and Banking in Pakistan  
S. A. Meenai  
Revised and Expanded by  
Javed A. Ansari  
Sixth Edition  
Oxford University Press 2010*

The new edition of the book provides a comprehensive analysis of developments within the financial and monetary system in Pakistan from 1947 to 2003. Four new chapters; post Keynesianism and the stock flow consistency approach, inflation, the Insurance industry in Pakistan, Pakistan's Payment and Settlement System and ten new sections have been added in the revised edition. The earlier chapters in the book are on Monetary Theory & Policy and Money & Banking in Pakistan. While it provides a historical record of the

growth and development of banking in Pakistan, it also chronicles important events in the field of monetary management and critiques monetary and fiscal policies pursued in Pakistan since independence.

Part one summarizes the major approaches to monetary theory and policy, while Part two is about Pakistan's banking sector, the financial markets, the insurance industry, the payment and settlement system in Pakistan and the monetary policy — a period analysis from 1947-2009.

*US Relations with Afghanistan and Pakistan  
The Imperial Dimension  
Hafeez Malik  
Oxford University Press 2009*

The book presents an analytical study of US power, which has grown steadily and is now at its peak. Against the background of US power, the author examines US relations with Afghanistan and Pakistan, both countries having forged new alliances with the US.

After the withdrawal of Soviet troops from Afghanistan, US closed its embassy in Kabul because of the law & order situation. US relations with Pakistan soured over the nuclear issue. A number of sanctions were imposed which made life for Pakistan quite difficult. Pakistan began to play its role independently of US concerns.

Chapter 3 discusses the rise of the Taliban movement and US Pakistan tensions. Tensions developed as Pakistan perceived its interests to be at variance with the US. The period 1989-2001 was filled with clashes of interest over four significant issues: 1) Pakistan's pursuit of nuclear weapons, 2) the sanctions that the US imposed in retaliation, 3) Pakistan's unsatisfied territorial claims on Kashmir, which had been spawned by the partition of India in August 1947, and finally 4) Pakistan's support of the Taliban and the recognition of their government in Afghanistan.

On September 11, 2001 the political dynamics changed radically. Due to the developments

in Afghanistan, Pakistan moved back to a closely allied position with the United States as a consequence of the 9/11 tragedy. A new relationship evolved between the US and Pakistan.

*Socio – Economic Characteristics  
of Female Headed Households in Pakistan  
Baseline Survey 2009-10  
Gender Research Programme  
Research Report No.3  
Social Policy and Development Centre*

The Report documents and analyzes the diversity in the characteristics of female headed households. What are the factors that contribute to the formation of female headship, and investigates their overall well being in comparison with male headed households and non-poor females. It also examines social service delivery, labour force participation, intra-family allocation of resources, and decisions on income and expenditures that affects the overall well being of female headed households. The Report also analyzes decision making and extent of empowerment of female heads, an aspect of women empowerment which has so far received little attention.

The results have shown that despite being the heads of households, females lag behind their male counterparts in ownership of assets and empowerment and the authority and power exercised by female heads at household level is far less than that of male heads. More than 90 percent of female heads feel that their communities are either supportive or have normal behaviour towards them. More than 60 percent think they have better management skills than men. Nearly half of the respondents hope to have improved living standards over the next five years because of employment for boys and better job opportunities.

The study has made some policy recommendations, which seeks to transfer increased resources to female headed households, enhance women representation at local government level, improve the quality of and access to health, education, sanitation and water supply etc. in rural areas.

## Pakistan Economy – Key Economic Indicators

	Unit	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10 <sup>P</sup>
<b>Output and Prices</b>								
GNP Size (MP)	Rs.bn	5765	6634	7773	8831	10452	13084	15239
GDP Size (FC)	Rs.bn	5250	6123	7158	8235	9921	12082	13843
Income Per Capita	\$	669	733	836	921	1038	1018	1095
<b>Real Growth</b>								
	(%)							
GNP		6.4	8.7	5.6	6.7	3.7	1.7	5.5
GDP		7.5	9.0	5.8	6.8	3.7	1.2	4.1
Agriculture		2.4	6.5	6.3	4.1	1.0	4.0	2.0
Manufacturing		14.0	15.5	8.7	8.3	4.8	-3.7	5.2
Services Sector		5.8	8.5	6.5	7.0	6.0	1.6	4.6
<b>Prices</b>								
	(%)							
Consumer Price Inflation		4.6	9.3	7.9	7.8	12.0	20.8	11.7
Wholesale Price Inflation		7.9	6.8	10.1	6.9	16.4	18.2	12.6
Food Inflation CPI		6.0	12.5	6.9	10.3	17.6	23.7	12.5
Non Food Inflation CPI		3.6	7.1	8.6	6.0	7.9	18.4	11.1
Core Inflation <sup>†</sup>		3.8	7.2	7.5	5.9	8.4	18.1	10.5
GDP Deflator		7.7	7.0	10.5	7.7	16.2	20.3	10.1
Gold Tezabi (Karachi)	Rs./10 grams	7328	8216	10317	12619	16695	22195	33544
Petrol Super	Rs/Ltr	33.69	40.74	55.21	56.00	57.83	67.68	67.56
Diesel	Rs/Ltr	-	-	36.45	38.40	40.97	60.42	69.57
Kerosene oil	Rs/Ltr	24.95	29.11	36.19	39.09	43.44	66.79	72.65
Wheat Flour	Rs/Kg	11.71	13.28	13.06	13.64	18.07	25.64	28.77
<b>Savings and Investment</b>								
	% GDP							
National Savings		17.9	17.5	17.7	17.4	13.4	13.2	13.8
Domestic Savings		15.7	15.4	15.7	15.6	11.4	10.5	9.9
Gross Fixed Investment		15.0	17.5	20.5	20.9	20.5	17.4	15.0
Public		4.0	4.3	4.8	5.5	5.4	4.6	4.3
Private		10.9	13.1	15.7	15.4	15.0	12.7	10.7
<b>Public Finance</b>								
Revenue Receipts (Fed Govt)	% GDP	13.5	13.5	13.5	14.0	13.7	13.2	14.0
Tax Revenue	% GDP	9.0	9.1	9.3	9.7	9.9	9.8	10.1
Total Expenditure	% GDP	15.9	15.4	15.8	15.7	18.8	16.5	17.6
Fiscal Deficit	% GDP	2.3	3.3	4.3	4.4	7.6	5.3	6.3
FBR Tax Collection (Fed Govt)	Rs.bn	510.0	590.0	704.0	839.6	1009.4	1251.5	1483.0
Direct Taxes	% share	31.7	31.0	32.0	38.2	38.4	39.6	36.4
Indirect Taxes	% share	68.3	69.0	68.0	61.8	61.6	60.4	63.6
Internal Debt Outstanding	Rs.bn	1979	2152	2337	2610	3275	3861	4653
Funded Debt	% Internal Debt	54.6	59.5	62.3	64.0	68.8	67.1	68.6
Un-Funded Debt	% Internal Debt	45.4	40.5	37.7	36.0	31.2	32.9	31.3
<b>Monetary Sector</b>								
Growth of Monetary Assets M2	%	19.6	19.1	15.1	19.3	15.3	9.6	12.5
Currency in Circulation	Rs.bn	578.1	665.9	740.4	840.2	982.3	1152.2	1295.4

P Provisional

<sup>†</sup>non-food non-energy



	Unit	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10 <sup>P</sup>
Credit to Private Sector	Rs.bn	1274	1712	2114	2480	2890	2907	3020
Credit to Public Sector	Rs.bn	657	747	834	927	1510	2034	2441
Borrowings for Budgetary Support	Rs.bn	575	641	708	810	1365	1681	2011
Resident Foreign Currency Deposits	Rs.bn	146	180	196	207	263	280	330
M2/GDP	%	-	-	0.45	0.47	0.46	0.40	0.39
<b>Capital Market (KSE)</b>								
Listed Capital	Rs.bn	377	439	496	631	706	782	910
Market Capitalisation	\$ bn	1422	2068	2801	4019	3778	2121	2732
Listed Companies at KSE	Nos	666	659	658	658	652	651	651
<b>Banking Sector</b>								
Scheduled Banks Deposits	Rs.bn	-	2428	2817	3373	3812	4138	4353*
Scheduled Banks Advances	Rs.bn	-	1694	2071	2376	2816	3080	3192*
Non-Performing Loans All Banks	Rs.bn	200	177	173	214	314	432	460
Lending and Deposit Rates	weighted average							
Deposits	% pa	0.95	1.37	1.96	2.60	4.13	4.44	4.29*
Advances	% pa	7.28	8.81	10.61	11.55	12.49	14.25	13.18*
<b>Open Market Operation</b>								
SBP 3-Day Repo	% pa	7.50	9.00	9.00	9.50	12.00	14.00	12.50
Treasury Bills Yield - 6 Months	% pa	2.08	7.96	8.49	8.90	11.47	12.00	12.33
KIBOR - 6 Months	% pa	2.69	8.46	9.36	9.75	13.95	12.65	12.25
Pakistan Investment Bonds - 5 yrs	% pa	5.27	7.50	9.65	9.53	-	12.40	12.60
Interbank Call Rates	%	2.70	6.10	8.80	8.90	9.90	13.20	12.20
SBP Export Finance Rate	%	1.50	6.50	7.50	6.50	6.50	6.50	8.00
<b>External Sector</b>								
Exports	\$ bn	12.31	14.40	16.45	16.98	19.05	17.68	19.35
Imports	\$ bn	15.59	20.60	28.58	30.54	39.96	34.82	34.71
Balance of Trade	\$ bn	-3.28	-6.20	-12.13	-13.56	-20.90	-17.14	-12.24
Current Account Balance	\$ bn	1.31	-1.75	-5.65	-7.40	-14.30	-9.40	-2.90
Workers' Remittances	\$ mn	3872	4168	4600	5494	6451	7811	8906
Foreign Private Investment	\$ mn	922	1677	3872	6960	5429	3209	2794
Direct	\$ mn	950	1525	3521	5140	5410	3720	2206
Portfolio	\$ mn	-28	153	351	1820	19	-511	588
<b>Debts</b>								
External Debt and Liabilities	\$ bn	35.3	35.4	37.2	40.3	46.2	52.3	55.6
Domestic Debt Outstanding	Rs.bn	2027	2178	2337	2610	3275	3860	4653
Internal Debt as % of GDP	%	35.9	33.5	30.7	30.1	32.0	30.3	31.7
National Saving Schemes**	Rs.bn	984	940	936	1004	1094	1361	1586
Total Reserves	\$ mn	13155	13338	14354	18890	13436	13971	17921
Gold	\$ mn	831	917	1268	1344	1926	1935	2575
Liquid Fx Reserves	\$ mn	12324	12421	13086	17546	11510	12036	15346
Exchange Rate (Average for year)	Rs/US\$	57.5745	59.3576	59.8566	60.6342	62.5465	78.4983	83.8017

\* December 2009 \*\* Outstanding

Source: Annual Report 2009-10, State Bank of Pakistan