SAARCFINANCE E-NEWS LETTER

VOLUME NO 19

JULY-DECEMBER 2015

PUBLISHED BY
CENTRAL BANK OF SRI LANKA

CONTENTS

Message from the Chairperson of SAARCFINANCE Network

I am indeed happy and privileged to publish the 19th issue of the SAARCFINANCE *e-Newsletter*, which covers the activities undertaken by the SAARCFINANCE during the second half of 2015. It encompasses the recent macroeconomic developments, major policy announcements, and key economic indicators of SAARC member countries.

I would like to thank SAARCFINANCE members for entrusting Central Bank of Sri Lanka to chair SAARCFINANCE Group and for providing the opportunity to publish this issue of *e-Newsletter*.

SAARCFINANCE was initiated in 1998 to establish a "Network of Central Bank Governors and Finance Secretaries of the SAARC Region" with a view to opening dialogue on macroeconomic policies of the region and sharing mutual experiences and ideas. The basic objective of establishing the SAARCFINANCE Network is to share experiences on macroeconomic policy issues among member countries of the region. I hope the member countries would find this e-*Newsletter* useful to achieve this objective.

I would also like to take this opportunity to thank the SAARCFINANCE Coordinators and Alternate Coordinators for their support and contribution to this volume. Likewise, the efforts of the SAARCFINANCE Cell, under the Economic Research Department of the Central Bank of Sri Lanka, towards preparation of this *e-Newsletter* are duly acknowledged.

Dr. Indrajit Coomaraswamy

Chairperson, SAARCFINANCE Group and

Governor, Central Bank of Sri Lanka

Objectives of SAARCFINANCE

The basic objective of establishing SAARCFINANCE Network is to promote cooperation among central banks and finance ministries in SAARC member countries and learn from shared experiences among member countries on macroeconomic policy challenges facing the region. However, the broad objectives of SAARCFINANCE Network are as follows:

- To promote cooperation among central banks and finance ministries in SAARC member countries through staff visits and regular exchange of information;
- To consider and propose harmonisation of banking legislations and practices within the region;
- To work towards a more efficient payment system mechanism within the SAARC region and strive for higher monetary and exchange cooperation;
- To forge closer cooperation on macroeconomic policies of SAARC member states and to share experiences and ideas;
- To study global financial developments and their impact on the region including discussions relating to emerging issues in the financial architecture, IMF and World Bank and other international lending agencies;
- To monitor reforms of the international financial and monetary system and to evolve a consensus among SAARC countries in respect of the reforms;
- To evolve, whenever feasible, joint strategies, plans and common approaches in international fora for mutual benefit, particularly in the context of liberalisation of financial services;
- To undertake training of staff of the ministries of finance, central banks and other financial institutions of the SAARC member countries in subjects relating to economics and finance;
- To explore networking of the training institutions within the SAARC region specialising in various aspects of monetary policy, exchange rate reforms, bank supervision and capital market issues;
- To promote research on economic and financial issues for the mutual benefit of SAARC member countries; and,
- To consider any other matter on the direction/request of the SAARCFINANCE, Council of Ministers or other SAARC bodies.

COUNTRY REPORTS

AFGANISTAN

RECENT OVERALL MACROECONOMIC DEVELOPMENTS

Real Sector

Since the start of 2015, the economic developments have been slow and the vulnerabilities remained high. The reason behind the economic slowdown was mainly the unfavorable political and security situation in the country, as it led to lower investment level and decreased the consumer confidence.

However, owing to favorable weather conditions, agriculture sector is expected to have favorable performance in 2015, albeit insecurity situation shadowed agricultural outputs in most parts of the country. Despite of the aforementioned challenges agriculture sector experienced good harvests of wheat, fruit, and vegetables but the general performance of the agriculture sector was subdued over fiscal year 2015. Similarly, industry and services sectors, which had weak performance in 2014, also remained subdued over the fiscal year 2015 due to an improper political and security environment in the country.

Inflation

By the end of the second half of 2015, headline inflation in Afghanistan increased by 0.1 percent from -3.6 percent in first half of the year. In July 2015, inflation hit its five year low level (-4.89 percent), but coming to the end of the year, it turned around to a positive digit. The annual increase in inflation reflected higher prices for both main items of the CPI, but the pace of change in food price was larger compared to that of non-food components of CPI.

There are several factors causing the inflation rate to increase in Afghanistan. One reason for higher inflation is negative prospects for agricultural products created by lower level of snowfall during the winter season. In addition, during the second half of 2015 prices increased significantly in Pakistan (a major trade partner to Afghanistan), which put inflationary pressures on the overall price level in Afghanistan. Introduction of new types of taxes and higher tax rates imposed by government is another major factor affecting the general price level in the country over the second half of fiscal year 2015.

Monetary Sector

Afghanistan managed to qualify for Staff Monitored Program (SMP) of IMF; SMP was nine month program which primarily focused on addressing fiscal and banking vulnerabilities, preserving macroeconomic stability (low inflation, low debt, and a comfortable international reserves position), enhancing the economic environment for higher and inclusive growth, and providing a track record of policy implementation.

Under SMP, Afghanistan maintained monetary targeting monetary policy in which reserve money was set as operational target with price stability being the ultimate goal. In the second half of 2015 Reserve money grew by 11.43 percent, up from 10.64 percent in the same period of previous year. Meanwhile, Narrow money (M1) surged by 8.85 percent, this increase was mainly due to substantial increase of 10.35 percent in currency in circulation while Demand Deposit, the other component of M1, increased by 7.36 percent.

In second half of 2015 Afghani currency depreciated against almost all major currencies. Deteriorating security, fleeing of more than one hundred thousand Afghans out of the country, severe capital flight and low investment were the main causes of devaluation of Afghani. Afghani's recorded depreciation of 12.57 percent against US Dollar, 10.29 percent against EURO, 6.67 percent against Sterling Pound and 10.75 percent against Indian Rupee.

Nonetheless, Afghanistan achieved all end-December SMP quantitative targets and also actions which were required by structural benchmark were completed. It worth mentioning that SMP program also came to an end in December 2015.

Fiscal Developments

During the last decade, Afghanistan's national budget has been financed through domestic revenues, donor grants, and loans. The share of donor grants and loans have been more significant compared to the share of domestic revenues during the decade.

The National budget was AFs 438.545 billion including the operating budget of AFs 284.969 billion and the core development budget of AFs 153.577 billion. The national budget in 2015 shows 3.3 percent contraction compared to the national budget of AFs 453.597 billion of 2014. Likewise, operating budget and development budget decreased by 1.4% and 7% respectively.

In the second half of FY 1394 (2015), domestic revenue stood at AF 68.38 billion which shows 30 percent increase compared to domestic revenue of AF 52.37 billion collected over the first half of the year. Similarly, customs revenues for the second half of the year was AF 30.4 billion showing an increase of 21 percent compared to the first six months of fiscal year 2015. Budget execution rate of development and operating budget were 34% and 49% over the second half of the year.

KEY ECONOMIC INDICATORS OF AFGHANISTAN

	Unit	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
1. Real Sector													
Per Capita GDP	US$	242.2	281.1	312.6	426	426	504.7	628.6	709	780	772	747	677
Real GDP Growth	%	2.3	9.9	9.2	16.1	2.3	17.2	3.2	8.7	10.9	6.5	2.2	-2.41
GDP (Nominal)	Million US$	5.6	6.6	7.5	10.4	10.6	12.9	16.3	18.8	21	21.2	21	19365
Agriculture	% of GDP	33.3	34.2	32.7	33.6	27.7	31.1	27.8	27	25.4	24.7	24.32	22.12
Industry	% of GDP	24.5	25.2	26.2	25.2	25.6	21.2	20.6	21.6	20.5	19.6	20.92	22.13
Services	% of GDP	39.5	37.7	38.1	38.7	44	44.3	48	47.8	50.3	51.7	51.3	52.28
Investment	% of GDP	-	-	-	-	18.1	17.4	17.5	15.8	16.4	16.7	17.7	-
National Savings	% of GDP	-	-	-	-	-23.3	-9.9	-11.4	-4	4	7.8	7	-
Headline Inflation	%	-	9.8	3.8	24.3	4.8	-4.5	13.7	8.4	5.8	7.2	1.4	0.1
- Food Inflation	%	-	9.1	4.9	31.9	4.3	-9.1	14	7	4.4	9.6	2.9	0.3
- Non-Food Inflation	%	-	10.9	2.2	12.2	6	3.8	13.3	16.6	7.4	4.7	-0.5	0.5
- Core Inflation	%	-	-	4.7	11.3	7.8	2.3	9.8	10	5.9	5.5	4.3	2.2
II. Fiscal Sector													
Revenue Collection (CSR)	Million Afs	18,837	76,456	62,038	56,885	71,638	101,118	134,840	169,674	164,589	108,508	99,619	123,387
Fiscal Deficit (excluding Grants)	% of GDP	19%	18%	14%	14%	9%	8%	1%	4%	2%	4%	14%	15%
Fiscal Deficit (including Grants)	% of GDP	1%	4%	1%	2%	15%	14%	8%	12%	10%	14%	8% Supl	11% Supl
Public Debt	% of GDP	-	-	-	-	-	-	-	-	-	-	-	-
- of which foreign currency	% of GDP	-	-	-	-	-	-	-	-	-	-	-	-
- domestic debt	% of GDP	-	-	-	-	-	-	-	-	-	-	-	-
- debt servicing	% of total	-	-	-	-	-	-	-	-	-	-	-	-
III. External Sector													
Exports (f.o.b)	Billion US$	0.31	0.38	0.42	0.45	0.55	0.4	0.4	0.38	0.26	0.5	0.62	0.58
Imports (f.o.b)	Billion US$	2.18	2.47	2.74	3.02	2.98	3.11	4.87	6.05	6.03	8.65	6.91	7.04
Trade Deficit	Billion US$	1.87	2.09	2.33	2.57	2.43	2.7	4.48	5.67	5.76	8.15	6.29	6.46
Remittances	Billion US$	-	-	-	-	-0.08	-0.18	-0.02	0.01	0.06	0.11	-0.03	0.06
Current Account Balance	Billion US$	-	-	-	-	-5.69	-6.02	-6.61	-6.76	-6.63	-6.95	-4.39	-4.81
Current Account Balance	% of GDP	-	-	-	-	-0.53	-0.47	-0.4	-0.36	-0.32	-0.33	-0.21	-3.9
Total Foreign Investment	Million US$	-	186	218	188.41	97.59	93.78	94.96	85.17	72.65	70.24	42.98	87.64
- Foreign Direct Investment	Million US$	-	186	218	188.41	97.59	93.78	94.96	85.17	72.65	70.24	42.98	169.15
- Portfolio Investment	Million US$	-	0	0	0	0	0	0	0	0	0	0	-81.51
External Debt	Billion US$	-	-	-	-	-	-	-	-	-	-	-	-
External Debt and Forex	% of forex	-	-	-	-	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a
Short-term debt to GDP	%	-	-	-	-	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a
External Debt Servicing Ratio (Pl see footnote)	*	-	-	-	-	-	-	-	-	-	-	-	-
Exchange Rate (Average)	Per US$	47.79	49.63	49.92	49.82	50.95	49.26	45.8	47.76	50.92	55.38	57.52	61.14
Foreign Exchange Reserves	Billion US$	-	-	-	-	3.61	4.13	5.34	6.25	6.95	7.1	7	6.86
IV. Monetary & Capital Market		-	-	-	-	-	-	-	-	-	-	-	-
Growth Rate of M1	y-o-y	-	-	-	40.59	31.91	30.33	25.02	21	9.78	9.88	9,54	1.5
Growth Rate of M2	y-o-y	-	-	-	42.4	31.38	33.05	26.95	21.31	8.8	9.4	8,34	3.3
Growth Rate of M3	y-o-y	-	-	-	-	-	-	-	-	-	-	-	-
Weighted Avg Lending Rate	%	-	-	-	15.7	23.4	15.1	15	14.5	15	15	16,05	15.13
Credit growth to Private Sector	%	-	-	-	96.98	45.63	33.9	29.8	-49.8	1.9	8.8	-6.13	6.15
Stock Market (Price Index)	1991=100	-	-	-	-	-	-	-	-	-	-	-	-
Market Capitalization (as leading stock mkt)	Domestic currency in Billions	-	-	-	-	-	-	-	-	-	-	-	-
Market Capitalization (as leading stock mkt)	% of GDP	-	-	-	-	-	-	-	-	-	-	-	-
Market Capitalization (as leading stock mkt)	Billion US$	-	-	-	-	-	-	-	-	-	-	-	-
V. Banking Sector Indicators													
Capital Adequacy ratio	%	N/A	N/A	38.91	31.77	29.83	25.81	-14.48	23.83	21.84	26.24	26.46	21.14
Non performing loans	%	N/A	N/A	N/A	0.68	1.15	0.94	48.4	5.16	5.31	5.08	8.09	15.48
Profitability (R.O.E)	%	N/A	8.39	-1.11	9.89	1.69	1.4	-20.69	-1.01	-0.42	0.61	7.35	4.35
Profitability (R.O.A)	%	N/A	1.79	0.28	1.8	10.28	10.25	-520.84	-14.98	-5.71	8.18	0.9	43.74

* from 2007 to 2012 figures are as of March

** Dec.2012 ROA and ROE are for nine months as fiscal year changed

BANGLADESH

RECENT OVERALL MACROECONOMIC DEVELOPMENTS

Overview

According to the latest outlook of the International Monetary Fund (IMF), the global economy is likely to witness some positive changes in the short and medium term. Uneven growth prospects are taking shapes across different countries of the world. The decline in oil prices in one hand and jobless growth on the other, or, declining potential output carries mixed signals for the future prospects of global economy. However, in terms of trade potential and employment, global scenario reveals positive prospects for the future of Bangladesh economy.

Satisfactory agricultural production, vibrant rural economy, encouraging remittance flows, increase in public investment and higher wage rate in the private sector together helped in keeping domestic demand buoyant. As a result, the economy of Bangladesh registered 6.51 percent annual GDP growth in FY2014-15. Moreover, as per the preliminary estimate of Bangladesh Bureau of Statistics (BBS), annual real GDP growth has been projected to be 7.05% during the current fiscal year i.e. FY 2015-16. Industry and service sectors on the supply-side and, consumer spending and public and private investment, on the demand-side, are considered to be the drivers of this growth. Sector-wise brief analyses on Bangladesh economy are given below:

Price Developments

Twelve-month average CPI inflation in Bangladesh has shown a slowly declining trend for the last couple of years. Inflation, which was 7.28 percent in July 2014, gradually fell to 6.19 percent in December 2015, suggesting further decline owing to decreasing fuel and commodity prices. However, the main driver of this decline in average inflation is mainly attributable to the falling food inflation while nonfood inflation shows an upward tendency. Food inflation of as high as 8.55 percent in July 2014 slid down to 6.05 percent in December 2015 while non-food inflation of as low as 5.41 percent kept on rising to reach 6.41 percent over the same period. Core inflation that excludes both food and fuel components rose from 6.28 percent in July 2015 to 6.79 percent in December 2015.

Money and Credit Developments

Based on the conflicting signals from general inflation and core inflation, Bangladesh Bank decided to remain on its partly cautious but generously supportive stance for inclusive, sustainable output growth. Following the growth supportive stance, Bangladesh Bank planned to increase broad money (M2) at the rate of 15.0 percent. This safe limit of money supply aligned satisfactory with the stance of monetary policy; it also complies with the growth target, absorbs moderate inflation, and finally takes required level of monetization into account.

With accommodative stance for growth supportive understandings, the stock of broad money is projected to be taka 9052 billion in June 2016. This stock comprises two figures: 1) taka 2095 billion or USD 26.7 billion as net foreign assets (NFA) and 2) taka 6957 billion as net domestic assets (NDA). The amount of NDA is projected to be composed of domestic credit of taka 8026 billion and a negative figure of taka 1068 billion against other items (net). Domestic credit, which represents a 15.5 percent rise from the previous June figure, can be decomposed between public and private sector credit as taka 1429 billion and taka 6596 billion, respectively.

The credit growth figures in the public sectors have always been very volatile based on the actual financing needs of the government. It registered a negative growth of 2.5 percent in the last fiscal year whereas Bangladesh Bank projects a positive growth rate of 18.7 percent for the current fiscal year. In contrast, private sector credit growth has always remained stable particularly since the fiscal year of 2013 when the figure was 10.8 percent and has stood higher at 13.2 percent in the FY15. The growth figure rose to 13.7 percent in November 2015. All these figures were coupled with 6.5-plus percent economic growth. If the last fiscal year's 13.2 percent credit growth could endow the economy with 6.5 percent output growth, a provision of 14.8 percent private credit growth appears to be adequate to support close to 7.0 percent output growth for the current fiscal year. A new focus on credit quality is on the rise.

External Sector Developments

At the end of the last fiscal year 2015, current account surplus stood at USD 2.00 billion. The next current account balance for the FY16 is projected to reach USD 0.96 billion which will eventually make an overall balance to the tune of USD 2.28 billion which will be added to the net foreign assets.

Bangladesh Bank expects 8.5 percent growth in both exports and imports and 5 percent increase in remittances for the FY16. Recent pick up in investment and consumption imports will in the near term ease appreciation pressures on taka, enhancing its export competitiveness. The foreign reserves stood at USD 27.49 billion at the end of December 2015 from USD 25.03 billion in the FY15. The existing stock of foreign exchange reserves is good to cover more than 7 months' import bills for the country.

Bangladesh Bank has kept on buying foreign exchange to protect external competitiveness of taka by easing appreciation pressures on it. The central bank, however, exercises a managed float to maintain exchange rate stability by ironing out day-to-day fluctuations. Preserving that stability is an integral part of monetary policy although infrequent adjustments to market pressures have been carried out in the past. That policy stance helped Bangladesh Bank to maintain exchange rate stability for the last 3 years or more since early 2013.

Fiscal Developments

1. **Government expenditure:** Government Expenditure is shown under two broad categories, namely, Non-Development Expenditure and Development Expenditure. Total actual non-development spending up to December, 2015 stood at TK 56766.2 crore which is 30.7 percent of the non-development budget allocated for the year FY16. Actual development expenditure during the same period is 17.8 percent of the development budget estimate. Note that, three memorandum items (Net Outlay of Food Accounts Operation, Loans and Advances and Non ADP Employment Generation Programme) are out of these two broad categories.

1.1 Non-Development Expenditure:

1.1.1 Non-Development Expenditure: General Classification

Allocations for non-development expenditure against different Ministries/Divisions are grouped into 14 sectors. Some of the noteworthy features are:

- For FY15-16, budget allocation was raised by 23.3 percent over the FY14-15 revised estimates and 19.2 percent over the original budget.
- Up to December 2015, spending in education, public order and safety, defense, recreation, culture and religious affairs and health sectors were on the higher side. Below-average utilization in some sectors, like, general public service, social security and welfare, agriculture and LGD, RD & Cooperatives sector contributed to less-than-expected performance in total non-development spending.
- As a whole, non-development spending up to December 2015 amounts to 30.7 percent of total non-development budget

1.1.2 Non-Development Expenditure: Economic Classification

Besides broad sector-wise and ministry-wise classification, non-development spending is also categorized into 08 economic groups, namely, Pay and Allowances (PA), Goods & Services (GS), Interest Payment (IP) [Domestic & Foreign], Subsidies & Current Transfer (SCT), Block Allocation (BA), Acquisition of Assets and Works (AAW), Investment in share & equities (ISE), Programme financed from Non-Development Budget (PFNDB).

- Up to December 2015, utilization rate of total non-development expenditure is 30.7 percent. As far as economic classification is concerned for some categories, like acquisition of assets and works (43.7 percent), interest payments (41.7 percent) and pay and allowances (33.9 percent) spending rate is higher than overall utilization rate.

1.2 Development Expenditure

Total allocations against different ministries/divisions for development spending are grouped under 13 broad sectors.

- Up to December 2015, actual development expenditure is 17.8 percent of the total ADP. The actual outturn for the same period of the previous fiscal year was about 22.3 percent of revised ADP.
- During this period, recreation, culture and religious affairs sector made the highest utilization of allocated resources (27.1 percent).
- Up to December, 2015 the maximum share of ADP spending went to physical infrastructure (49.9 percent) followed by social infrastructure (36.7 percent).

2. **Revenue income**:

   - It is generated from tax and non-tax sources. Up to December 2015, 37.1 percent of total revenue target has been achieved. During this period, major share of the revenue came from NBR taxes (84.0 percent). Total NBR tax collection is 37.1 percent of the annual target. Regarding NTR (Non Tax Revenue) 36.5 percent of the annual target has been achieved.
   - Total NBR revenue collection in FY15 was 9.6 percent of GDP (base 2005-06) and 89.3percent of the revised budget target;
   - In FY16, total revenue is expected to be scaled up to 12.1 percent of GDP (base 2005-06). This figure is about 27.6 percent higher than the revised budget estimate of FY15 and about 42.8 percent higher than the actual collection in the FY15 ;
   - Up to December, 2015 total revenue collection for FY16 increased by 15.8 percent compared to the corresponding period of the previous fiscal year (FY15) and achievement as to annual target is 37.1 percent.

3. **Budget Deficit:**

- In FY15, actual budget deficit (excluding grants) as percentage of GDP was 3.85 percent. Including grants it was 3.70 percent of GDP;
- Budget deficit (excluding grants) for FY16 is estimated to be 5.05 percent of GDP (Including grants the deficit is expected to be 4.71 percent of GDP);
- For FY16, actual overall balance up to December, 2015 (excluding grants) as percentage of GDP was 0.04 percent.

Fiscal Outlook for FY2015-16

In FY2015-16 total estimated expenditure is 2,95,100 crore Taka which is 23.13 percent higher than the revised budget of the FY2014-15. The current budget estimate (FY16) is 17.2 percent of the estimated GDP.In FY2015-16 total estimated revenue income is 2,08,43 crore Taka which is 27.6 percent higher than the revised estimate of FY2014-15. In the current fiscal year revenue estimate is 12.1 percent of GDP. In FY16 budget deficit excluding grants is 5 percent of GDP.Total amount to be financed from foreign and domestic sources is 80,857 crore Taka. Out of this, only 47.6 percent will be financed from banking system. The rest will be financed from foreign borrowing and non-bank sources including sale of savings certificate.

Latest Development of Some Macroeconomic Indicators

The latest developments of some key macroeconomic indicators of Bangladesh economy are given below. Moreover, 10 years data on key macro economic indicators of Bangladesh economy are also given at Annex-1.

- As per the preliminary estimate of Bangladesh Bureau of Statistics (BBS), real GDP growth has registered 7.05% in FY 2015-16 which was 6.51% in FY 2014-15.
- As per latest available data overall inflation (base: 2005-06=100) is 6.10% on yearly average basis (5.65% on point-to-point basis) at the end of March, 2016.
- Export growth has increased to 8.92% compared to the same period of the previous fiscal year amounting USD 22,123.8 million during July-February, 2016.
- Imports have increased by 6.73% compared to the same period of the previous fiscal year amounting USD 22,540 million during July-January, 2016.
- Remittance growth has decreased by 1.47% compared to the same period of the previous fiscal year amounting USD 9774.08 million during July-February of FY 2016.
- The overall surplus in the country's BOP stood at USD 2,676 million during July-January of FY 2016.
- The country's foreign exchange reserve on 20 April 2016 set a new record reaching USD 28.82 billion due mainly to satisfactory export growth.

- The nominal exchange rate of Taka against US$ remained stable at Tk.78.40 per USD as on 25 April 2016.

Highlights of Major Policy Announcements

1. BB has issued master circular on SME financing

To meet up the latest market demands in SME financing, BB has issued a Master Circular on SME Financing by consolidating all previous instructions.

2. BB has introduced Live Operation of New CIB Online Solution

BB has introduced Live Operation of New Credit Information Bureau (CIB) Online Solution for all scheduled banks and financial institutions from its own resources. This solution has already been implemented from 01 October 2015.

3. BD-RTGS system started from October 29, 2015

After completing various phases of testing, BB has finally started live operation of Real Time Gross Settlement (RTGS) from October 29, 2016.

4. BB has set up Central Database for Large Credit (CDLC)

BB has adopted a series of reform measures to strengthen its supervisory and prudential framework for enhancing financial discipline and establishing a robust financial system in line with the international best practices. In this context, BB has decided to introduce a new oversight framework for large exposures to identify and manage the low quality assets well ahead of time before they appear as a cause to financial distress. The framework will involve all concerned banks and financial institutions to initiate joint or individual, as the case may be, prompt corrective efforts for managing those assets. At this onset, Bangladesh Bank has decided to establish a Central Database for Large Credit (CDLC) to monitor the large exposures in a more structured way.

BB has provided Long Term Financing Facility (LTFF) under the Financial Sector Support Project (FSSP)

The Government of Bangladesh (GoB) has signed a Financing Agreement (FA) on June 30, 2015 with the International Development Association (IDA) regarding implementation of the Financial Sector Support Project (FSSP). The objective of the project is to improve financial market infrastructure of the country, regulatory and oversight capacity of Bangladesh Bank and access to long term financing mainly for manufacturing firms in Bangladesh. Bangladesh Bank has also signed a Project Agreement (PA) with the IDA on the same date to carry out the tasks for implementation of the project. "Supporting Long Term Finance" is the major component of the project. Under the arrangement, Bangladesh Bank will provide long term financing in foreign currency mainly for small and medium scale manufacturing enterprises in the country. The financing would be provided to eligible Participating Financial Institutions (PFIs) for on lending/refinancing to the eligible firms.

Dr. Kaushik Basu, Senior Vice-President and Chief Economist of The World Bank gave a Public Lecture in Dhaka on 'The World Economy, Bangladesh and Regional Cooperation: Problems and Prospects'

A Public Lecture on ''The World Economy, Bangladesh and Regional Cooperation: Problems and Prospects' by Dr. Kaushik Basu, Senior Vice-President and Chief Economist of The World Bank was organized by the SAARCFINANCE Cell of the Research Department and the Chief Economist's Unit of Bangladesh Bank on 13 December, 2015. Dr. Atiur Rahman, Honorable Ex-Governor of Bangladesh Bank chaired the lecture program. Dr. Biru Paksha Paul, Chief Economist, Bangladesh Bank gave welcome address and brief presentation on major economic facts of Bangladesh and India. Dr. Basu, in his lecture, asserted that what Bangladesh has achieved over the last four decades is nothing less than a fascinating development story. The country was once doomed to fail but it has emerged from ashes with steadily rising growth. Social indicators are not perfect, but the major numbers exceed those of many other developing nations including India - an emerging giant whose per capita income is almost 1.5 times higher than Bangladesh's. He also laid emphasis on making a good policy and overall infrastructure in the South Asian region including Bangladesh and India to accelerate the economic growth. Though the said public lecture was not organized under the aegis of SAARCFINANCE, most of the SAARC member countries were invited to participate in it.

Bangladesh Bank and UNDESA jointly organized International Workshop on Macroeconomic Stability, Private Sector Development, and Economic Growth in Dhaka

An International Workshop on Macroeconomic Stability, Private Sector Development, and Economic Growth was jointly organized by the SAARCFINANCE Cell of the Research Department and the Chief Economist's Unit of Bangladesh Bank jointly collaborating with the United Nations Department of Economic and Social Affairs (UNDESA) in Dhaka during 14-15 December, 2015. Delegates from the central banks of Cambodia, Lao PDR, Thailand, Sri Lanka, international and domestic researchers participated in the workshop. Dr. Biru Paksha Paul Chief Economist, Bangladesh Bank delivered a welcome address in the opening ceremony of the workshop. Dr. Atiur Rahman, Honorable Ex-Governor of Bangladesh Bank and Dr. Hamid Rashid, Chief, Global Economic Monitoring Unit, Development Policy and Analysis Division, UNDESA gave their valuable remarks as the special guests of the ceremony. Dr. Kaushik Basu, Senior Vice-President and Chief Economist of The World Bank inaugurated the workshop as the chief guest and he also delivered a keynote speech in the said ceremony. Mr. Md. Abul Quasem, Ex-Deputy Governor, Bangladesh Bank chaired the opening ceremony. Among others the program was graced by the presence of Dr. Vito Tanzi, Economist and Independent Scholar, USA, Dr. Ishrat Hussain, Dean and Director, IBA, Karachi and Ex-Governor, State Bank of Pakistan.

In the 2-day long workshop, there were total 5 working sessions where several discussions were held on some specific issues related to macroeconomic stability, private sector development, and economic growth. The initial paper presented in the workshop highlighted on how the perspective about Macroeconomic Stability and Economic Development has been changed over the years. Some papers specifically focused on the progress & prospects and the status & vulnerability of financial stability in the South Asian economies. There were also discussions on macro stability at the global level, risk off-balance sheet activities of G7 counties, capital regulation and bank risk, and fiscal policy issues in developing economies.

There was an open floor discussion in each session where the participants communicated with the presenters for making the program more interactive. There was also a very engaging brainstorming session with the central bank researchers. The international participants also shared their experiences in a session regarding formulation of monetary policy in their respective economies which gave the program a unique flavor.

The closing session of the workshop was chaired by Mr. Abu Hena Mohd. Razee Hassan, Deputy Governor, Bangladesh Bank. Mr. Subhankar Saha, Executive Director and Dr. Faisal Ahmed, Senior Economic Advisor of Bangladesh Bank also gave their remarks in this session. Though the workshop was not organized under the aegis of SAARCFINANCE, most of the SAARC member countries were invited to participate in it.

PERFORMANCES OF SOME KEY MACRO ECONOMIC INDICATORS: BANGLADESH

	Unit	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16 (Jul-Dec)
I. Real Sector												
Per Capita GDP	USD	476	487	559	620	687	748	766	1088	1115	1236	-
Real GDP Growth	%	6.6	6.4	6.2	5.7	6.1	6.7	6.3	6.2	6.12	6.6	-
GDP (Market Price)	Billion USD	62	68.4	79.6	89.4	100.4	111.9	115.7	129.9	173.8	195.2	-
Agriculture	% of GDP	21.9	21.4	20.7	20.5	20.3	18	17.4	16.8	16.3	15.5	-
Industry	% of GDP	29	29.4	29.8	29.8	29.9	27.4	28.1	29	29.6	28.2	-
Services	% of GDP	49.1	49.2	49.5	49.7	49.8	54.6	54.5	54.2	54.1	56.4	-
Investment	% of GDP	24.7	24.5	24.2	24.4	24.4	27.4	28.2	28.4	28.7	28.9	-
National Savings	% of GDP	27.7	28.7	30.2	29.6	30	29	29.9	30.5	30.5	29	-
Headline Inflation (12 mth avg)*	%	7.2	7.2	9.9	6.7	7.3	8.8	10.6	6.8*	7.4*	6.4	6.2
- Food Inflation	%	7.8	8.1	12.3	7.2	8.5	11.3	10.4	5.2*	8.6*	6.7	6.1
- Non-Food Inflation	%	6.4	5.9	6.3	5.9	5.5	4.2	11.1	9.2*	5.5*	6	6.4
- Core inflation	%	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	6.8
II. Fiscal Sector												
Revenue Collection (CSR)	Billion USD	7	7	9	10	12	13	15	18	18	21	-
Fiscal Deficit (excluding grants)	% of GDP	390%	370%	620%	410%	370%	440%	500%	480%	410%	500%	-
Fiscal Deficit (including grants)	% of GDP	330%	320%	540%	330%	330%	380%	460%	430%	350%	460%	-
Public Debt	% of GDP	40.2	38.6	37.1	35.9	32.3	32.4	31.8	30	29.1	27.3	-
- of which foreign debt	% of GDP	25.9	24.3	22.1	20.4	17.6	17.2	16.6	14.9	14.1	12.1	-
- domestic debt	% of GDP	14.3	14.3	15	15.5	14.7	15.2	15.2	15.1	15	15.2	-
- debt servicing	% of total	9.6	9.7	8.8	8.2	7.7	6.9	6.5	6.3	7.2	5.2	-
III. External Sector												
Exports (f.o.b)	Billion USD	10.4	12.1	14.2	15.6	16.2	22.6	24	26.6	30.2	30.8	15.7
Imports (f.o.b.)	Billion USD	13.3	15.5	19.5	20.3	21.4	30.3	33.3	33.6	36.6	36.6	19
Trade Deficit	Billion USD	2.9	3.4	5.3	4.7	5.2	7.7	9.3	7	6.8	5.8	3.3
Remittances	Billion USD	4.8	6	7.9	9.7	11	11.7	12.8	14.5	14.2	15.3	7.5
Current Account Balance	Billion USD	0.8	0.9	0.7	2.4	3.7	-1.7	-0.4	2.4	1.4	1.5	2.1
Current Account Balance	% of GDP	1.3	1.4	0.9	2.7	3.7	1.5	0.3	1.9	0.9	0.8	-
Total Foreign Investment	Million USD	775	899	795	802	796	740	1193	2094	2369	2448	771
- Foreign Direct Investment	Million USD	743	793	748	961	913	768	995	1726	1432	1830	795
- Portfolio Investment	Million USD	32	106	47	-159	-117	-28	198	368	937	618	-24
External Debt and Forex	Billion USD	18.6	19.4	20.3	20.1	20.3	21.5	22.8	22.3	23.6	23.5	-
External Debt and Liabilities	As % of Forex	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Outstanding Debt	% GDP	30.5	28.3	25.5	23.3	20.3	19.7	19.7	14.9	14.1	12.1	-
External Debt Servicing Ratio	% of	3.4	3.6	3.8	4	4.3	4.2	4.2	4.2	4.2	4.7	-
Exchange Rate	Per USD	67.1	69	68.6	68.8	69.2	71.2	79.1	79.9	77.8	77.7	78.1
Foreign Exchange Reserve	Billion USD	3.5	5.1	6.1	7.4	10.8	10.9	10.2	15.3	21.5	25	27.4
IV. Monetary & Capital Market												
Growth Rate of M_1	y-o-y	23.4	16.5	22.7	10.3	28	18.7	6.4	10	14.6	14.3	15.1
Growth Rate of M_2	y-o-y	19.3	17.1	17.6	19.2	22.4	21.3	17.4	16.7	16.1	12.4	13.1
Growth Rate of M_3	y-o-y	17.8	15.8	15.7	17.7	23	18.9	15.5	15.3	16.5	14.8	15
Weighted Avg. Lending Rate	%	12.1	12.8	12.3	11.9	11.3	12.4	13.8	13.7	13.1	11.7	11.2
Credit growth to Private Sector	%	18.1	15	25	14.6	24.2	25.8	19.7	10.9	12.2	12.9	14.1
Stock Market (Price Index)		1339.5	1764.2	2588	2520.2	5111.6	6117.2	4572.9	4385.8	4480.5	4583.1	4629.6
Market Capitalization of DSE[#]	Billion Taka	225.3	491.7	931	1241.3	2700.7	2853.9	2491.6	2530.2	2386.3	2701.9	2607.4
Market Capitalization of DSE[#]	% of GDP	5.4	10.4	17.1	20.2	38.9	35.8	27.2	24.4	17.7	17.8	-
Market Capitalization of DSE[#]	Billion USD	3.4	7.1	13.6	18	39	40.1	31.5	31.7	30.7	34.8	33.4
V. Banking Sector Indicators												
Capital adequacy ratio	%	6.7	9.6	10.1	11.6	9.3	11.4	10.5	9.1	10.7	10.3	10.8
Non-performing loans	%	13.2	13.2	10.8	9.2	7.3	6.1	10	11.9	10.8	9.7	8.8
Profitability (R.O.E)	%	14.1	13.8	15.6	21.7	21	17	8.2	8.2	8.4	6.6	10.5
Profitability (R.O.A)	%	0.8	0.9	1.2	1.4	1.8	1.5	0.6	0.6	0.6	0.5	0.8

Note: All data are provided on the basis of Bangladesh Financial Year (July-June). This format is adopted on recommendations of the SAARCFINANCE meeting on Improvement of SAARCFINANCE e-Newsletter and Development of SAARCFINANCE Scholarship Scheme, 9-10 January 2013, Dhaka, Bangladesh.

*=Base 2005-06=100, [#] DSE= Dhaka Stock Exchange
- = Half yearly data are not available, NA= Not available

BHUTAN

RECENT OVERALL MACROECONOMIC DEVELOPMENTS

Bhutan's real GDP growth rebounded to 5.5 percent in 2014 from 2.1 percent in the previous year. Contribution to real GDP was mainly due to growth in the mining & quarrying, manufacturing, construction, wholesale & retail trade, transport, storage & communication and general government sectors. Whereas key sectors such as agriculture, livestock & forestry and hotels & restaurants witnessed no change in growth during the period.

Growth in broad money has decreased significantly as of December 2015 recording 3.8 percent from 26 percent during the same corresponding month of last year. The declined in the broad money growth was due to lower growth recorded in both the narrow money (M1) as well as in other deposits. Meanwhile, Bhutan's inflation (measured by the year-to-year change of the consumer price index) recorded at 3.53 percent during the December of 2015 compared to 6.7 percent of same month of previous year. Decline in the prices of both food and non-food commodities mainly contributed for the fall during the period. On the other hand, the month-to-month change in imported inflation, during December 2015 was recorded at 2.7 percent while domestic inflation rate was recorded at 4.3 percent.

As of September 2015, the growth of combined assets of the financial sector[1] increased by 4.8 percent (Nu.109.4 billion). Of the total assets, 86.9 percent belonged to the commercial banks and the rest are held by non-bank financial institutions (NBFIs). During the same period, banking sector assets grew by 2.9 percent to Nu.95.1 billion while that of the NBFIs grew by 19.2 percent to Nu.14.3 billion. Non-performing loans (NPLs) increased from Nu.7.2 billion to Nu.7.9 billion recording a growth of 9.7 percent at the end of September 2015 against 11.6 percent in the same period last year. In terms of sector wise NPLs, high NPLs were observed under the trade and commerce (23.2 percent), manufacturing and industry (18.9 percent), personal loan (16.5 percent), and housing sector with 15.9 percent.

On external front, as of the September 2015, the current account deficit widened by 64.6 percent as compared to the same quarter of previous year. With an increase of 15.7 percent in imports the trade deficit more than doubled in the quarter ending September 2015 as compared to the same quarter in 2014. The trade deficits with India as compared to the same quarter in 2014, increased to Nu. 1.6 billion from Nu. 175.5 million. Similarly trade deficit with COTI also increased to Nu. 1.4 billion from Nu, 741.5

[1]Includes five commercial banks and two insurance companies.

million.

As of December 2015, international reserves stood at USD 1039.9 million. Of the total reserves, USD 825.9 million was convertible currency reserves and ₹ 14.2 billion were Indian Rupee reserves. Reserves were sufficient to cover 13.4 months of merchandise imports.

The country's total outstanding external debt as of September 2015 stood at USD 2 billion. Of the total, ₹ 90.6 billion (USD 1,377.8 million equivalent) were Indian Rupee debt and USD 597.5 million were outstanding convertible currency debt. Debt servicing for the quarter ending September 2015 amounted to USD 7.34 million on convertible currency debt and ₹ 1,278.8 million for Rupee denominated debt.

On the fiscal front, as of June 2015, total revenue including grants stood at Nu.36.4 billion from Nu.37.8 billion in preceding year. A decrease by negative 3.8 percent in 2014/15, compared to the 23.4 percent growth in 2013/14. Of the total revenue and grants, domestic revenue collection totaled Nu.25.2 billion (an increase of 7.1 percent from the previous year) which was more than sufficient to finance current expenditure (Nu.22 billion). On the other hand, total expenditure increased by 17 percent (from Nu.33.5 billion in FY 2013/14 to Nu.39.2 billion) during the year. The increase was on account of growth in spending for both current and capital expenditures, which grew by 22.9 percent and 10.2 percent, respectively.

Highlights of Major Policy Announcements

- Under the recommendation of RMA Board, RMA is currently undertaking a comprehensive organizational development (OD) exercise with an aim to modernize the RMA as a central bank;

- Similarly, the RMA has formed an internal Policy Advisory Committee (PAC) which will be responsible to review, deliberate and formulate policies related to financial sector.

KEY ECONOMIC INDICATORS OF BHUTAN

Bhutan Key Macroeconomic Indicators

	Unit	2005-06	2006-07	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
I. Real Sector											
Per Capita GDP(a)	**US$**	1366.40	1387.40	1875.54	1851.58	2277.76	2600.09	2584.81	2440.41	2611.74	-
Real GDP Growth(a)	**%**	7.96	6.85	4.77	6.66	11.73	7.89	5.07	2.14	5.46	5.57 (P)
GDP (MP)	**Billion US$**	0.88	1.13	1.24	1.44	1.75	1.84	1.82	1.80	1.96	2.02 (P)
Agriculture	**% of GDP**	9.80	9.13	9.25	9.12	8.96	9.49	15.96	16.10	16.77	15.62 (P)
Industry	**% of GDP**	1.84	1.94	2.28	2.25	2.25	2.11	41.62	42.35	40.55	38.29 (P)
Services	**% of GDP**	6.34	6.03	5.81	5.86	6.28	7.12	42.42	41.55	42.68	39.90 (P)
Investment	**% of GDP**	51.22	47.95	41.39	43.03	61.70	67.65	67.87	45.96	57.75	54.59 (P)
National Savings	**% of GDP**	0.00	0.00	0.00	0.00	35.16	42.11	44.99	22.96	35.33	30.51 (P)
Headline Inflation	**%**	6.17	5.94	2.96	6.14	8.33	13.53	5.51	8.55	5.15	3.53
- Food Inflation	**%**	5.23	8.84	10.74	9.53	8.96	18.72	2.81	12.33	2.92	2.75
- Non-Food Inflation	**%**	5.33	2.95	0.73	8.86	8.17	10.67	7.14	6.11	6.66	4.06
- Core inflation	**%**	-	-	-	-	-	-	-	-	-	-
II. Fiscal Sector											
Revenue Collection (CSR)	**Billion US$**	0.16	0.23	0.35	0.43	0.39	0.40	0.39	0.27	0.39	-
Fiscal Balance (excluding grants)	**% of GDP**	-18.67	-14.05	-10.02	-16.36	-16.78	-20.16	-14.17	-9.43	-11.68	-14.74
Fiscal Balance (including grants)	**% of GDP**	-0.88	0.71	2.00	1.80	-2.30	-1.23	-4.36	4.08	-2.35	-3.42
Public Debt	**% of GDP**	43.53	31.55	29.46	29.20	32.52	35.49	41.61	36.13	33.94	134.63 (P)
- of which foreign currency	**% of GDP**	43.53	31.55	29.04	28.39	31.83	34.20	35.10	35.80	31.50	108.63 (P)
- domestic debt	**% of GDP**	0.00	0.00	0.42	0.80	0.69	1.29	6.51	0.33	2.44	0.26(P)
- debt servicing	**% of total revenue**	43.95	11.03	26.94	28.64	26.41	44.74	88.21	46.64	34.29	6.71 (Sept.)
III. External Sector											
Exports (f.o.b)	**Billion US$**	0.31	0.57	0.52	0.54	0.67	0.62	0.59	0.55	0.56	0.19
Imports (f.o.b.)	**Billion US$**	0.435	0.53	0.61	0.84	1.12	1.01	0.95	0.93	0.97	0.24
Trade Deficit	**Billion US$**	0.12	0.47	0.09	0.27	0.46	0.40	-0.35	-0.38	-0.41	-0.05
Remittances	**Billion US$**	0.00	0.00	0.00	0.00	0.00	0.01	0.01	0.00	0.00	0.00
Current Account Balance	**Billion US$**	-0.04	0.08	-0.01	-0.32	-0.52	-0.39	-0.45	-0.48	-0.15	-0.08
Current Account Balance	**% of GDP**	-4.70	9.10	-6.60	-24.30	-32.60	-23.00	-25.00	-27.33	-0.15	-0.08
Total Foreign Investment	**Million US$**	-	0.00	0.00	0.00	2.09	2.60	5.03	3.18	3.52	6.26
- Foreign Direct Investment	**Million US$**	-	0.00	0.00	0.00	2.09	2.60	5.03	3.18	3.52	6.26
- Portfolio Investment	**Million US$**	-	-	-	-	-	-	-	-	-	-
External Debt and Forex Liabilities	**Billion US$**	0.78	0.72	0.80	0.87	1.35	1.42	1.54	1.85	1.82	1.98
External Debt and Forex Liabilities	**% of forex earnings**	-	-	-	-	-	-	-	-	-	-
Short-term debt to GDP	**%**	-	-	7.16	7.35	10.92	12.99	15.81	9.58	6.68	5.86
External Debt Servicing Ratio (pl see footnote)	*******	7.91	3.68	30.51	29.75	30.96	55.80	167.71	21.02	16.02	12.99
Exchange Rate	**Per US$**	44.74	44.19	47.78	46.65	45.33	50.27	62.00	63.33	63.76	64.97
Foreign Exchange Reserves	**Billion US$**	0.486	0. 608	0.68	0.76	0.80	0.67	0.93	1.20	0.93	1.14
IV. Monetary & Capital Market											
Growth Rate of M_1	**y-o-y**	14.40	26.80	27.70	22.70	34.30	5.60	2.10	5.05	4.97	2.62
Growth Rate of M_2	**y-o-y**	11.37	8.62	24.57	30.09	21.21	-1.02	3.53	6.62	7.82	3.79
Growth Rate of M_3	**y-o-y**	-	-	-	-	-	-	-	-	-	-
Weighted Avg Lending Rate	**%**	-	-	-	-	-	-	-	-	-	-
Credit growth to Private Sector	**%**	35.86	34.40	28.90	40.73	29.40	30.07	7.07	6.44	14.00	12.42
Stock Market (Price Index)	**1991=100**	-	-	-	-	-	-	-	-	-	-
Market Capitalization (as leading stock mkt)(a)	**Domestic Currency in Billion**	4.47	4.64	7.37	8.07	10.01	14.38	17.63	20.59	22.00	21.25
Market Capitalization (as leading stock mkt) (a)	**% of GDP**	12.4	11.4	13.47	13.18	13.81	16.80	18.19	17.70	21.08	17.78
Market Capitalization (as leading stock mkt)(a)	**Billion US$**	0.10	0.11	0.15	0.17	0.22	0.29	0.32	0.35	0.35	0.33
V. Banking Sector Indicators											
Capital adequacy ratio	**%**	20.81	17.05	14.94	14.78	15.90	17.89	19.61	18.51	18.29	16.97
Non performing loans	**%**	6.57	4.92	7.53	6.83	5.20	3.92	6.57	6.33	10.21	11.86
Profitability (R.O.E.)	**%**	15.02	18.37	17.08	22.54	15.72	16.10	13.00	13.06	-0.05	3.78
Profitability (R.O.A.)	**%**	1.42	1.58	1.50	1.86	1.58	2.24	2.40	2.27	-0.27	0.66

******* The ratio of debt service (interest and principal payments due) during a year, expressed as a percentage of current receipts minus official transfers. (This is the formula used while computing DSR in India). Data for FY 2015-16 is as of December '2015 except for III. External Sector and V.Banking Sector Indicators which are for September, 2015 .

1.(a) on a calendar year basis, example, the entry under 2014/15 is for 2014

2.Credit to private sector includes credit given by non bank financial institutions as well.

3.Foreign Exchange Reserve comprises of Indian Rupee and USD

4. (-) data not available

5.(P) Provisional estimates

INDIA

RECENT OVERALL MACROECONOMIC DEVELOPMENTS

Growth Outlook:

As per the advance estimates released by Central Statistics Office, Government of India on February 2016, growth in real GDP at market prices was placed at 7.6 per cent in 2015-16 (7.2 per cent in 2014-15). The growth was largely driven by private final consumption expenditure and supported by fixed investment, even as net exports and government final consumption expenditure decelerated. During 2015-16:Q3, notwithstanding lower growth in fixed investment and government final consumption expenditure, real GDP growth was higher than that in the corresponding period of the previous year as private consumption expenditure held up and net export growth turned positive after five quarters. .

Growth in real Gross Value Added (GVA) at basic prices was placed at 7.3 per cent in the Advance Estimates for 2015-16 (7.1 per cent in 2014-15), largely reflected in industrial growth. Within industrial sector, the strong pick-up in manufacturing growth has offset moderation in ‘mining and quarrying’ and ‘electricity, gas, water supply and other utility services’ sub-sectors growth. Growth in services sector decelerated during the year, reflected in all the sub-sectors, particularly, ‘public administration, defence and other services’. During 2015-16:Q3, real GVA growth was higher than that in the corresponding quarter of the previous year reflecting robust manufacturing sector growth and lower order of contraction in agriculture and allied activities. Going forward, assuming a normal monsoon and given the focus of the Union Budget 2016-17 on stimulating the rural economy coupled with the implementation of 7th Pay Commission recommendation, one-rank-one-pension for retired defense personnel and continued monetary policy accommodation are likely to gradually strengthen growth. Fading impact of lower input costs on manufacturing value added, persisting corporate sector stress, risk aversion in the banking system and weaker global growth and trade outlook are the downside risks. As such real GVA growth for 2016-17 is projected at 7.6 per cent.

Inflation Outlook:

CPI inflation increased from an intra-year low of 3.69 per cent in July 2015 to 5.61 per cent in December 2015. Favourable base effects which led to lower inflation during July-August 2015 waned from September 2015 and consequently inflation rose till December 2015. Food inflation increased sharply from 2.8 per cent in July 2015 to 6.3 per cent in December 2015.With inflation in cereals, fruits and animal based proteins remaining range-bound, the prices of pulses and vegetables largely determined the food inflation trajectory in this period. Inflation in case of pulses reached 45.8 per cent in December 2015. Vegetable prices edged up during November 2015- December 2015 as unseasonal rains and floods in Southern states limited the extent of price decline usually seen in winter months. Excluding food and fuel group, inflation stood higher at 4.9 per cent in December 2015 as compared with 4.4 per cent in July 2015. Inflation in housing rose from 4.4 per cent in July to 5.1 per cent in December 2015. Inflation in transport and communication sub-group entered the positive territory after remaining negative during July-October 2015 and stood at 1.3 per cent in December 2015 despite fall in international crude prices as petrol and diesel excise duties were increased in November and December 2015.

External Sector Outlook:

India's BoP position improved during April-December 2015 as the CAD narrowed to 1.4 per cent of GDP in April-December 2015 from 1.7 per cent in the corresponding period of 2014-15. Lower CAD, on the back of contraction in trade deficit, along with a sizable increase in net financial flows enabled a build-up of reserves. India's trade deficit narrowed to US$ 105.6 billion in April-December 2015 from US$ 113.4 billion during the same period of 2014-15. Net invisible receipts declined, even though moderation in both net services earnings and private transfer receipts was partly offset by a lower net outflow of primary income (profit, interest and dividends).

Net inflows under the capital and financial account (excluding change in foreign exchange reserves) moderated to US$ 37.7 billion during April-December 2015 from US$ 59.2 billion in the previous year. There was an accretion to India's foreign exchange reserves to the tune of US$ 14.6 billion during April-December 2015 as compared with US$ 31.3 billion in in the corresponding period of 2014-15. During current calendar year so far, there has been an accretion of reserves by US$ 9.9 billion. The reserves stood at US$ 360.2 billion on April 15, 2016.

The policy to promote exports thorough the Merchandise Exports from India Scheme (MEIS) introduced in the Foreign Trade Policy 2015-2020 announced on April 1, 2015 was further extended to introduce 110 new tariff lines and increased rates or country coverage or both for 2228 existing tariff lines on October 29, 2015.

Monetary Developments:

Reserve money grew by 13.8 per cent on a y-o-y basis for the week ended April 15, 2016 as compared with an increase of 11.3 per cent in the previous year mainly reflecting an increase in currency circulation and bankers' balance which was in line with last year

The y-o-y growth in broad money (M3) was 10.3per cent as on the fortnight ended April 1, 2016 as compared with a growth of 12.0 per cent in the same period of the previous year. On the components side, moderation in M3 growth was mainly due to a lower growth in aggregate deposits. On the sources side, bank credit to the commercial sector expanded at a slower pace.

Fiscal Policy:

The Union Budget 2016-17 has been formulated with the objective of ensuring macroeconomic stability and prudent fiscal management while boosting aggregate demand through enhanced expenditure in priority areas with an emphasis on rural development.. The Budget estimates (BE) for 2016-17 indicate a continuation of the process of fiscal consolidation as formulated in the revised roadmap outlined in 2015-16 Union Budget, with all key deficit indicators (relative to GDP) set to decline. As a ratio to GDP, gross fiscal deficit (GFD) is budgeted to decline to 3.5 per cent. In revised estimates (RE) for 2015-16, revenue deficit (RD), as ratio to GDP, was lower than the budget estimates, by 0.3 percentage point, at 2.5 per cent. Gross fiscal deficit met the budget estimate of 3.9 per cent.. Reduction in revenue deficit in 2-15-16 (RE) over the budget estimates, despite maintaining the revenue expenditure around the budgeted target was achieved due to higher than budgeted net tax revenues and non-tax revenues (on account of higher receipts from dividends and profits and improved earnings from spectrum auction). Reduction in revenue deficit, coupled with higher non-debt capital receipts and lower non-plan capital expenditure, resulted in adherence to the GFD target for 2015-16.

RD, primary deficit and GFD, as percentages to their budget estimates (BE), were lower during April-December 2015 than in the same period of the previous year. This improvement was due to increased buoyancy in revenue collections, which more than offset the increase in expenditure Tax revenue, both in terms of growth as well as percentage of BE, was significantly higher than the previous year, powered by the continued surge in indirect tax collections. Special levies, viz., periodic hikes in additional duties on petrol and diesel and imposition of Swachh Bharat cess on all services have amplified the buoyancy of indirect tax collections during the year Net tax revenue in this period, as percentage to BE, was also higher than in previous year,. Non-tax revenue was significantly higher than the previous year reflecting higher dividend and receipts under economic services, which mainly includes staggered receipts of payments from telecom service providers against the spectrum auction conducted in March 2015. Total expenditure at 73.9 per cent of BE was higher than the previous year (68.9 per cent of BE) due to higher expenditure on revenue and capital account. Expenditure on major subsidies at 91.8 per cent of BE was higher in April-December 2015 than the previous year (84.5 per cent of BE). The growth in capital expenditure at 33.5 per cent was robust reflecting Government's commitment to boost investment for capacity creation. Crucial social and infrastructure ministries such as drinking water & sanitation, health & family welfare, human resource development, rural development, women & child welfare, tribal affairs, civil aviation, road transport & highways coal and power have spent more than 75 per cent of the budgeted plan expenditure reflecting improvement in quality of public spending.

Highlights of Major Monetary Measures taken by the Reserve Bank since July 2015

April 05, 2016	First Bi-monthly Monetary Policy Statement, 2016-17 decided to • Reduced the policy repo rate under the LAF by 25 basis points from 6.75 per cent to 6.5 per cent; and • Reduce the minimum daily maintenance of the cash reserve ratio (CRR) from 95 per cent of the requirement to 90 per cent with effect from the fortnight beginning April 16, 2016, while keeping the CRR unchanged at 4.0 per cent of net demand and time liabilities (NDTL); • Continue to provide liquidity as required but progressively lower the average ex ante liquidity deficit in the system from one per cent of NDTL to a position closer to neutrality; and • Narrow the policy rate corridor from +/-100 basis points (bps) to +/-50 bps by reducing the MSF rate by 75 basis points and increasing the reverse repo rate by 25 basis points, with a view to ensuring finer alignment of the weighted average call rate (WACR) with the repo rate; • Adjusted the reverse repo rate under the LAF to 6.25 per cent, and the MSF rate and the Bank Rate to 8.25 per cent. • Allow substitution of securities in market repo transactions in order to facilitate development of the term money market; and • Consult with the Government on how to moderate the build-up of cash balances with the Reserve Bank.
April 01, 2016	Marginal Cost of Funds based Lending Rate (MCLR) system came into effect.
February 17, 2016	In order to facilitate better liquidity management by the market participants and to align the liquidity operations with the working of payment systems, reverse repo and MSF operations will be conducted on all Mumbai holidays when the RTGS is open, with effect from February 19, 2016. The timings of the Reverse Repo/MSF operations will be between 5:30 pm and 7: 30 pm on such holidays.
February 11, 2016	Banks were permitted to reckon government securities held by them up to another 3 per cent of their NDTL under the Facility to Avail Liquidity for Liquidity Coverage Ratio (FALLCR) within the mandatory SLR requirement as

	level 1 High Quality Liquid Assets (HQLA) for the purpose of computing their LCR. Hence the total carve-out from SLR available to banks would be 10 per cent of their NDTL.
February 02, 2016	• Sixth Bi-monthly Policy Statement for the year 2015-16 • The policy repo rate under the LAF kept unchanged at 6.75 per cent; • The reverse repo rate under the LAF kept unchanged at 5.75 per cent, and the MSF rate and the Bank Rate kept unchanged at 7.75 per cent; • The CRR of scheduled banks kept unchanged at 4.0 per cent of NDTL; • Continue to provide liquidity under overnight repos at 0.25 per cent of bank-wise NDTL at the LAF repo rate and liquidity under 14-day term repos as well as longer term repos of up to 0.75 per cent of NDTL of the banking system through auctions; • Continue with daily variable rate repos and reverse repos to smooth liquidity.
Dec 10, 2015	It was decided to reduce the Statutory Liquidity Ratio (SLR) of scheduled commercial banks, local area banks, primary (Urban) co-operative banks (UCBs), state co-operative banks and central co-operative banks from 21.5 per cent of their NDTL to: (i) 21.25 per cent from April 2, 2016; (ii) 21.00 per cent from July 9, 2016; (iii) 20.75 per cent from October 1, 2016; and (iv) 20.50 per cent from January 7, 2017.
Dec 01, 2015	• Fifth Bi-monthly Policy Statement for the year 2015-16, it was decided to • The policy repo rate under the LAF kept unchanged at 6.75 per cent; • The reverse repo rate under the LAF kept unchanged at 5.75 per cent, and the MSF rate and the Bank Rate kept unchanged at 7.75 per cent; • The CRR of scheduled banks kept unchanged at 4.0 per cent of NDTL; • Continue to provide liquidity under overnight repos at 0.25 per cent of bank-wise NDTL at the LAF repo rate and liquidity under 14-day term repos as well as longer term repos of up to 0.75 per cent of NDTL of the banking system through auctions; • Continue with daily variable rate repos and reverse repos to smooth liquidity;
September 29, 2015	In the Fourth Bi-Monthly Monetary Policy (2015-16), it was decided to • reduce the policy repo rate under the liquidity adjustment facility (LAF) by 50 basis points from 7.25 per cent to 6.75 per cent; • keep the cash reserve ratio (CRR) of scheduled banks unchanged at 4.0 per cent of net demand and time liability (NDTL);

	• continue to provide liquidity under overnight repos at 0.25 per cent of bank-wise NDTL at the LAF repo rate and liquidity under 14-day term repos as well as longer term repos of up to 0.75 per cent of NDTL of the banking system through auctions; and • continue with daily variable rate repos and reverse repos to smooth liquidity. • Consequently, the reverse repo rate under the LAF stands adjusted to 5.75 per cent, and the marginal standing facility (MSF) rate and the Bank Rate to 7.75 per cent.; The Depositor Education and Awareness Fund Scheme, 2014 has been established by transfer of bank deposits and other credit balances that have remained unclaimed for more than 10 years.

KEY CONOMIC INDICATORS OF INDIA

	Unit	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
I. Real Sector													
Per Capita GDP (Real) $	US$	607	664	701	851	785	814	909	911	1373	1300	1362	1351
Real GDP Growth $	%	7	9.5	9.6	9.3	6.7	8.6	8.9	6.7	5.4	6.3	7.1	7.3
GDP (MP at Current Prices) $	Billion US$	722	834	948	1241	1227	1367	1707	1881	1829	1863	2042	2072
Agriculture Growth	%	0.2	5.1	4.2	5.8	0.1	0.8	8.6	5	1.5	4.2	-0.2	1.1
Industry Growth	%	7.5	8.5	12.9	9.2	4.1	10.2	8.3	6.7	4.8	5.2	6.5	8.8
Services Growth	%	9.1	11.1	10.1	10.3	9.4	10	9.2	7.1	6.9	7.3	9.4	8.4
Investment	% of GDP(MP)	32.8	34.7	35.7	38.1	34.3	36.5	36.5	35.5	38.6	34.7	34.2	
Domestic Savings $$	% of GDP(MP)	32.4	33.4	34.6	36.8	32	33.7	33.7	31.3	33	32.3	32.3	
Headline Inflation (WPI)	%	6.5	4.5	6.6	4.7	8.1	3.8	9.6	8.9	7.4	6	2	-2.7
- Food Inflation	%	3.6	3.7	7.9	5.6	8.9	14.6	11.1	7.2	9.3	9.4	4.9	2.3
- Non-Food Inflation	%	7.5	4.7	6.2	4.5	7.8	0.2	9	9.6	6.6	4.6	0.8	-4.8
- Excl. Food and Fuel inflation	%	6.5	2.6	6.1	5.7	6.8	0.9	8.1	8.4	5.6	3	1.4	-2.5
Headline Inflation (CPI)*	%	3.8	4.4	6.7	6.2	9.1	12.4	10.4	8.4	9.9	9.4	5.9	4.9
- Food Inflation	%	2.2	4.1	9.2	8.4	12.3	15.2	9.9	6.3	11.2	11.9	6.5	5.1
- Fuel & Light Group Inflation	%	8.2	-4.5	5.7	2.2	8.2	3.6	9.8	15.3	9.7	7.7	4.2	5.4
- Excl. Food and Fuel inflation	%	5.6	6.6	3.2	4.6	6	10.5	11.2	9.8	8.7	7.3	5.6	4.6
II. Fiscal Sector													
Revenue Collection (CSR) **	Billion Rs.	3060	3471	4344	5419	5403	5728	7885	7514	8792	10147	11015	12061@
Fiscal Deficit (excluding grants)	% of GDP												
Fiscal Deficit (including grants)	% of GDP	3.9	4	3.3	2.5	6	6.5	4.8	5.9	4.9	4.5	4.1	3.9 @
Public Debt	% of GDP	41.2	40.2	38.4	38.5	38.1	38	36.2	38.9	39.6	39.3	39.5	40.7@
- of which external debt***	% of GDP	1.9	2.6	2.4	2.2	2.2	2.1	2	1.9	1.8	1.6	1.6	1.5@
- domestic debt ****	% of GDP	39.4	37.6	36	36.3	35.9	35.9	34.2	37	37.8	37.6	37.9	39.2@
- debt servicing	% of total Revenue												
III. External Sector													
Exports (f.o.b)	Billion US$	85.2	105.2	128.9	166.2	189	182.4	256.2	309.8	306.6	318.6		
Imports (c.i.f)	Billion US$	118.9	157.1	190.7	257.6	308.5	300.6	383.5	499.5	502.2	466.2		
Imports (c.i.f)	Billion US$	118.9	157.1	190.7	257.6	308.5	300.6	383.5	499.5	502.2	466.2		
Trade Deficit	Billion US$	-33.7	-51.9	-61.8	-91.5	-119.5	-118.2	-127.3	-189.8	-195.7	-147.6		
Trade Deficit	Billion US$	-33.7	-51.9	-61.8	-91.5	-119.5	-118.2	-127.3	-189.8	-195.7	-147.6		
Remittances	Billion US$	20.5	24.5	29.8	41.7	44.6	51.8	53.1	63.5	64.3	65.5		
Remittances	Billion US$	20.5	24.5	29.8	41.7	44.6	51.8	53.1	63.5	64.3	65.5		
Current Account Balance	Billion US$	-2.5	-9.9	-9.6	-15.7	-27.9	-38.2	-48.1	-78.2	-88.2	-32.4		
Current Account Balance	Billion US$	-2.5	-9.9	-9.6	-15.7	-27.9	-38.2	-48.1	-78.2	-88.2	-32.4		
Current Account Balance	% of GDP	-0.3	-1.2	-1	-1.3	-2.3	-2.8	-2.8	-4.2	-4.8	-1.7	-1.3	-1.4
Total Foreign Investment	Million US$	13000	15528	14753	43326	8342	50363	42127	39231	46711	26386		
Total Foreign Investment	Million US$	13000	15528	14753	43326	8342	50363	42127	39231	46711	26386		
- Foreign Direct Investment	Million US$	3713	3034	7693	15893	22372	17966	11834	22061	19819	21564		
- Foreign Direct Investment	Million US$	3713	3034	7693	15893	22372	17966	11834	22061	19819	21564		
- Portfolio Investment	Million US$	9287	12494	7060	27433	-14031	32396	30293	17170	26891	4822		
- Portfolio Investment	Million US$	9287	12494	7060	27433	-14031	32396	30293	17170	26891	4822		
External Debt and Forex Liabilities	Billion US$	134	139.1	172.4	224.4	224.5	260.9	317.9	360.8	409.4	446.2	475.3	480.2
External Debt and Forex Liabilities	% of forex earnings	105.6	109	115.6	138	112.2	106.9	95.9	81.6	71.3	68.2	71.9	73
Short-term debt to GDP	%	2.4	2.4	2.9	3.7	3.9	3.6	3.7	4.6	5.3	4.9	4.3	4.1
External Debt Service Ratio		5.9^	10.1#	4.7	4.8	4.4	5.8	4.4	6	5.9	5.9	7.5	8.7
Exchange Rate	Per US$	44.9	44.3	45.3	40.3	46	47.4	45.6	47.9	54.4	60.5	61.1	65.5
Foreign Exchange Reserves	Billion US$	142	152	199	310	252	279	305	294	292	304	342	
Foreign Exchange Reserves	Billion US$	142	152	199	310	252	279	305	294	292	304	342	
IV. Monetary & Capital Market													
Growth Rate of M_1	y-o-y	12.3	20.7	17.1	19.4	9	18.2	10	6	9.2	8.5	11.3	13.9(P)
Growth Rate of M_2	y-o-y												
Growth Rate of M_3	y-o-y	12	16.9	21.7	21.4	19.3	16.9	16.1	13.5	13.6	13.4	10.9	10.5(P)
Weighted Avg Lending Rate of SCBs	% (as on 31st March)	12.6	12	11.9	12.3	11.5	10.5	11.4	12.6	12	12	11.8	-
Bank Credit to commercial sector (%)	%	25.6	27.3	26.1	21.1	16.9	15.8	21.3	17.8	13.5	13.7		11.1(P)
Bank Credit to commercial sector (%)	%	25.6	27.3	26.1	21.1	16.9	15.8	21.3	17.8	13.5	13.7		11.1(P)
Stock Market (Price Index) (BSE)	End 1991=100	555.9	965.8	1119.2	1339.5	831.2	1500.7	1664.9	1490.1	1612.7	1916.7	2393.7	2169.7
Market Capitalization (as leading stock mkt)	Domestic Currency in Billion	16984.3	30221.9	35450.4	51380.2	30860.8	61656.2	68390.8	62149.1	63878.9	74153	101492.9	94753.3
Market Capitalization (as leading stock mkt)	% of GDP	52.4	81.8	82.5	103	54.8	95.2	87.9	70.4	64	65.4	80.9	71.1 P
Market Capitalization (as leading stock mkt)	Billion US$	388.7	679.4	805.2	1273.2	602.4	1355.2	1520.1	1235.1	1209.6	1215.4	1625.2	1422.7
V. Banking Sector Indicators													
Capital adequacy ratio	%	12.8	12.3	12.3	13	13.2	13.6	13	12.9	13.9	13	12.9@@	
Non-performing loans	%	5.2	3.3	2.5	2.3	2.3	2.4	2.5	3.1	3.2	3.8	4.3	
Profitability (R.O.E.)	%	15.8	14.8	15.5	16	15.4	14.3	15	14.6	13.8	10.7	10.4	
Profitability (R.O.A.)	%	1	1	1.1	1.1	1.1	1.1	1.1	1.1	1.04	0.8	0.8	

$: The data from the year 2012-13 onwards is in new GDP series (with base 2011-12).
$$: Domestic saving is a ratio to Gross National Disposable Income (GNDI) from 2012-13 onwards.

*: Figures for 2002-03 to 2011-12 correspond to CPI-IW and thereafter CPI-Combined. Further, base 1982 =100 for 2002-03 to 2006-07 and base 2001=100 for 2007-08 to 2011-12 in case of CPI-IW; for CPI-Combined base 2012=100 for 2012-13 to 2015-16.
**: Pertains to revenue receipts of the central government.
@: pertains to revised estimates.
***: External debt at historical exchange rate.
****: Pertains to internal debt.
^: Works out to 5.7 per cent, with the exclusion of pre-payment of US$ 381 million.
#: Works out to 6.3 per cent, with the exclusion of India Millennium Deposits (IMDs) repayments of US$ 7.1 billion and pre-payment of US$ 23.5 million.
P: Provisional Data
@@ CRAR figures for 2013-14 and 2014-15 are as per the Basel III framework.
Note: The inflation figure for 2015-16 is calculated using indices till February 2016 as CPI and WPI data is available till February 2016.

MALDIVES

RECENT OVERALL MACROECONOMIC DEVELOPMENTS

The annual growth in output of the tourism sector further weakened in H2-2015 when compared with H1-2015. This was largely contributed by the decline in tourist arrivals from China and Russia during H2-2015. As for the other key sectors of the economy, the pace of activity in the construction sector strengthened in H2-2015 while activity in the wholesale and retail trade remained buoyant as indicated by increased imports and commercial bank credit to the two sectors. Meanwhile, the performance of the fisheries sector continued to remain subdued in H2-2015 as reflected by weak growth in fish purchases made fish processing companies and the decline in volume of fish exports.

As for the developments in prices, the consumer price index (CPI) inflation picked-up in H2-2016 registering an average of 1.5% during the period compared with 1.3% in H1-2015, although the rate of inflation fell to 1.2% at the end of December 2015. The slight pick-up in inflation during H2-2015 was largely due to an increase in food inflation although this was partly offset by the decline in fish prices (the most volatile component in the CPI) and slowdowns in price increases in the health and education categories of the CPI.

With regard to public finances, total revenue increased significantly during H2 2015[2] compared with H2-2014 largely contributed by an increase in receipts from tax revenue while non-tax revenues also increased during the period. The increase in tax revenues resulted from a growth in receipts from tourism goods and services tax (T-GST), while non-tax revenues increased due to a growth in revenue collected from resort lease period extension fee. Meanwhile, total expenditure also increased during H2- 2015 owing to an increase in both recurrent and capital expenditure. The increase in recurrent expenditure was mainly due to increases in salaries, wages and allowances of government employees. During H2- 2015, the budget deficit was mainly through the issuance of treasury bills to domestic sources.

On the monetary front, the annual broad money (M2) growth accelerated to 14% at the end of December 2014 from 12% at the end of July 2015. This was largely driven by the significant expansion in net domestic assets of the commercial banks during H2-2015 mainly reflecting increased net credit to

[2] Monthly income and expenditure data are subject to change and may vary from month to month as the Public Accounting System data is updated regularly.

government and the rise in credit extended to the private sector. In H2-2015 bank credit to the private sector picked-up, after remaining subdued for some years, and grew 13% in the year to December 2015.

With regard to external sector developments, the merchandise trade deficit narrowed in H2-2015 when compared with H2-2014 owing to a significant decline in imports which more than offset the decline in exports. The decline in imports was driven by the decline petroleum imports reflecting lower oil prices, while the decline in exports was mainly due to a fall in re-export of jet fuel. Meanwhile, gross international reserves[3] fell toUS$564.0 million at the end of December 2015, which reflected an annual decline of 21% when compared with the end of H1-2015 and a decline of 8% (US$50.7 million) when compared with the end of H-1 2014 (Figure 5). The decline in gross reserves has been due to a decline in both the usable reserves[4] and commercial banks' reserves held at MMA. In terms of import cover, reserves fell to 3.6 months at the end of H2-2015 from 4.3 months at the end of H1-2015.

Highlights of the major policy announcements during Jun-Dec 2015

The Minimum Reserve Requirement (MRR) was reduced from 20% to 10% for both local currency and foreign currency deposits in August 2015. This change was introduced with the objective of lowering the cost of funds for the commercial banks and stimulating private sector credit, as well as to align the MRR level in the Maldives with international levels. During H2-2015 no operational revisions were made to other monetary policy instruments such as the open market operations and the standing facilities of the MMA. The open market operations remains suspended since May 2014 and excess liquidity in the banking system continues to be absorbed through the overnight deposit facility. Meanwhile, the overnight Lombard facility remained open for the banks to borrow from the MMA on an overnight basis, however, this facility was not used by any of the banks during the period.

[3] Gross international reserves comprises Maldives' reserve position in the IMF, commercial banks' US dollar reserve accounts, foreign currency deposits of both the MMA and the government.
[4] Usable reserves = gross international reserves minus short-term foreign liabilities. This shows the amount of funds readily available for use by the MMA in the foreign exchange market.

KEY ECONOMIC INDICATORS OF MALDIVES

	Unit	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
I. Real Sector													
Per Capita GDP/1	US$	3,666.6	3,307.3	4,161.5	4,656.7	5,404.4	5,585.4	5,903.3	6,041.3	5,974.5	6,410.7	6,791.6	7,215.3
Real GDP Growth/2	%	13.2	-8.1	19.9	10.2	12.7	-5.3	7.2	8.7	2.5	4.7	6.5	1.5
GDP/3	Million US$	1,202.2	1,119.8	1,474.7	1,746.0	2,110.0	2,149.3	2,323.4	2,454.9	2,509.3	2,785.5	3,055.9	3,365.7
Agriculture/4	% of GDP	6	7.8	6.4	5.6	5.7	4.3	4.3	4.1	3.8	3.9	3.5	NA
Industry/5	% of GDP	13.3	15.3	13.5	13.2	18	15.1	15.5	18.8	19.4	17.3	19.3	NA
Services/6	% of GDP	83.1	80.7	84.7	86.4	80.6	85.2	84.7	81.7	81.4	83.4	81.8	NA
Investment	% of GDP	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
National Savings	% of GDP	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Headline Inflation/7	%	-1.7	1.3	2.7	6.8	12	4.5	6.1	11.3	10.9	4	2.4	1.4
-Food Inflation/8	%	16	7.8	4	16.2	19.1	0.5	7.5	19.9	17.7	7.5	1	0.8
-Non-Food Inflation/9	%	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	2.9	1.6
-Core inflation	%	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
II. Fiscal Sector													
Revenue Collection (CSR)/10	Million US$	267.6	360.4	480.8	591.5	582.5	448	511.5	673.3	658.7	773.3	985.3	1151.6
Fiscal Deficit (excluding grants)	% of GDP	-1.5	-13	-8.9	-7.9	-12	-20.5	-14.9	-8.6	-8.6	-4.4	-3.3	-9
Fiscal Deficit (including grants)	% of GDP	-1	-7.3	-4.3	-3.2	-10.1	-19	-14.4	-6.6	-7.7	-4.1	-2.9	-6.9
Public Debt/11	% of GDP	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
- of which foreign currency (excluding guranteed debt)	% of GDP	26.3	33.9	37.8	46.6	41.6	43.4	40.9	36.7	32.3	28.4	24.3	20.4
- domestic debt (excluding guranteed debt)	% of GDP	0.1	0.1	11.1	11.1	15.8	28.7	40	35.7	37.4	39.4	43.8	44.5
- debt servicing	% of total revenue	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
III. External Sector/12													
Exports (f.o.b)	Million US$	NA	NA	NA	NA	NA	NA	NA	346.4	314.4	331	300.9	239.7
Imports (f.o.b.)	Million US$	NA	NA	NA	NA	NA	NA	NA	1,716.8	1,575.8	1,703.0	1,960.9	1,894.5
Trade Deficit/13	Million US$	NA	NA	NA	NA	NA	NA	NA	-1,370.5	-1,261.4	-1,372.0	-1,660.0	-1,654.8
Remittances/14	Million US$	NA	NA	NA	NA	NA	NA	NA	-239.4	-259.3	-265	-300.8	-362.9
Current Account Balance	Million US$	NA	NA	NA	NA	NA	NA	NA	-383.4	-184.5	-127.4	-117.8	-295.5
Current Account Balance	% of GDP	NA	NA	NA	NA	NA	NA	NA	-15.6	-7.4	-4.6	-3.9	-8.8
Total Foreign Investment	Million US$	NA	NA	NA	NA	NA	NA	NA	423.7	281	307.5	316.1	319
- Foreign Direct Investment	Million US$	NA	NA	NA	NA	NA	NA	NA	423.5	228	360.8	333.4	323.9
- Portfolio Investment	Million US$	NA	NA	NA	NA	NA	NA	NA	0.1	53.1	-53.3	-17.2	-4.9
External Debt and Forex Liabilities	Million US$	315.7	379.3	557.6	812.9	878.7	933.7	949.6	900.4	811.1	792.2	741.6	688.2
External Debt and Forex Liabilities	% of forex earnings	NA	NA	NA	NA	NA	NA	NA	36.7	32.5	27.1	22.4	21.9
Short-term debt to GDP	%	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
External Debt Servicing Ratio/15	***	NA	NA	NA	NA	NA	NA	NA	2.6	2.9	2.1	2.3	2.2
Exchange Rate/16	Per US$	12.8	12.8	12.8	12.8	12.8	12.8	12.8	15.41	15.37	15.41	15.4	15.41
Foreign Exchange Reserves	Million US$	203.6	186.4	231.6	308.4	240.6	261	350.2	334.9	304.5	368.3	614.7	564
IV. Monetary & Capital Market													
Growth Rate of M1/17	y-o-y	19.7	22.5	22.2	20	37.1	22.3	1.1	8.7	2.9	23.6	7.5	18.9
Growth Rate of M2/18	y-o-y	31.4	10.6	18.9	24.1	21.8	14.4	14.6	20	4.9	18.4	14.7	13.6
Growth Rate of M3/19	y-o-y	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Weighted Avg Lending Rate/20	%	NA	NA	NA	NA	NA	NA	10.4	10.2	10.5	11.4	11.4	10.8
Credit growth to Private Sector	%	58.2	59.7	48.6	49.4	29.7	-4.1	-2.3	5.9	-9.9	0.9	3.1	12.6
Stock Market (Price Index)/21	2002=100	239.6	199.8	137.6	342.7	287.1	229.6	211.2	157.4	149.7	114.6	134.1	156.5
Market Capitalisation (as leading stock mkt)	Domestic Currency in million	NA	1,113.3	766.8	11,450.2	2,246.1	1,862.0	1,726.1	1,286.9	7,528.1	NA	NA	NA
Market Capitalisation (as leading stock mkt)	% of GDP	NA	8.8	4.6	58	9.3	7.3	6.3	4.1	22.1	NA	NA	NA
Market Capitalisation (as leading stock mkt)	million US$	NA	87	59.9	894.5	175.5	145.5	134.9	83.5	490	NA	NA	NA
V. Banking Sector Indicators													
(information provided are annual figures)													
Capital adequacy ratio	%	19.81	16.73	17.21	15.02	20	24.71	28.85	29.3	35.9	35.2	44.5	37.2
Non performing loans	%	6.37	6.59	2.36	1.59	8.9	12.84	17.02	19.37	20.87	17.7	17.4	14.1
Profitability (R.O.E.)	%	37	40.8	53.5	32.1	23.4	13.8	11.7	14.74	13.8	23.5	20.3	16.2
Profitability (R.O.A.)	%	4.5	4.8	6.4	4	3.4	2.2	2	2.56	2.6	5	4.6	3.6

* The last column of the table will be updated on half yearly basis and 1st column of yearly data will be taken out with inclusion of new year data.

*** The ratio of debt service (interest and principal payments due) during a year, expressed as a percentage of current receipts minus official transfers. (This is the formula used while computing DSR in India).

Footnotes

1 - Refers to nominal GDP per capita.

2 - Real GDP at market prices.

3 - Refers to nominal GDP

4 - Agriculture refers to primary sector.

5 - Industry refers to secondary sector.

6 - Services refer to tertiary sector.

7 - Maldives Male' series 12 month moving average is taken for Headline Inflation and Food Inflation.

8 - Refers to inflation in "Food and non-alcoholic beverages" for the Male' series.

9 - Since CPI basket was rebased in June 2012, nonfood inflation series is not available as data is not available for the period before June 2012.

10 - Revenue collection (CSR) is the total revenue including grants. The exchange rate (MVR/USD) used applied from 2004-2010 is 12.8; to 2011 is 14.71; 2012-2014 is 15.39; 2015 is 15.37. These are the average of the monthly reference rates (mid-rate of the buying and selling rates) for the year.

11 - Total public debt is not available as publicly guranteed debt is not available.

12 - Balance of payments data is only available from 2011 onwards as the methodology and assumptions of BOP data have been revised.

13 - Refers to trade deficit of goods.

14 - Refers to workers remittance.

15 - Government and Commercial Banks' External Debt stock outstanding Debt service (Principle and Interest Payment) divided by Export of Goods and Services (XGS).

16 - End of period reference rate.

17 - Refers to narrow money.

18 - Refers to broad money or total liquidity.

19 - M3 is not calculated in Maldives.

20 - This refers to the weighted average lending rate to the private sector in national currency which is available from 2010 onwards.

21 - Stock market index (2002=100) represents the end of period.

NEPAL

RECENT OVERALL MACROECONOMIC DEVELOPMENTS

Real Sector

Nepalese economy is expected to grow by 2.0 percent in the year 2015/16. This revised downward projection from the initial estimate of 6.0 percent announced in this year's budget speech has been revised due to delayed monsoon, continued strikes in the Terai region and obstruction at the custom point in the Southern part, which has seriously affected overall economic activities in the country. In the current fiscal year, while the growth of agricultural sector has been predicted to come down to 1.0 percent, a negative growth rate has been expected in the non-agricultural sector. Since some of the custom points have been eased (except for the main customs point at Birgunj-Raxaul), it is expected that should the trade routes rebound to normalcy particularly with regard to fuel supplies, the economic activities that have been quite sluggish in the first six months of this year will gain some positive momentum.

Price Situation

The consumer price inflation rose by 12.1 percent in mid-January 2016 compared to 6.8 percent in the corresponding period of the previous year. The data from the initial six months of the current fiscal year shows an inflation of 15.2 percent in food and beverage group and 9.7 percent in non-food and services group, caused mainly due to prolonged strikes in the Terai region and disruption on trade routes in the southern parts of the country. However, the recent relaxation at most of the trade routes is likely to control this upward trend.

In the current review period, the y-o-y wholesale price index increased by 7.6 percent compared to a rise of 5.4 percent in the corresponding period of the previous year. The price indices of agricultural commodities, and domestic manufactured commodities rose by 12.2 percent and 6.4 percent respectively whereas such index of imported commodities decreased by 1.3 percent in the review period; this in compared to an increase of 8.4 percent 4.4 percent and 0.3 percent increment respectively in the corresponding period of 2014/15.

Monetary Situation

In the first six months of the fiscal year 2015/16, broad money supply (M2) increased by 9 percent compared to a rise of 5.8 percent in the corresponding period of previous year.. On y-o-y basis, in mid-January 2016, M2 expanded by 23.5 percent.

Net foreign assets (after adjusting foreign exchange valuation gain/loss) increased by NPR 139.75 billion in the review period compared to an increase of NPR 34.26 billion in the corresponding period of the previous year owing to an exponential increase in remittance inflows and contraction in imports at a higher rate. On y-o-y basis, the reserve money also recorded an increase by 37.6 percent in mid-January 2016.

In the first six months of 2015/16, deposits in the banks and financial institutions (BFIs) increased by 6 percent. Deposits at commercial banks, development banks and finance companies increased by 6.1 percent, 2.5 percent and 4.7 percent respectively in the review period. On y-o-y basis, the deposits in BFIs increased by 20.1 percent in mid-January 2016.

Similarly, the overall credit disbursement of BFIs also experienced low growth by 5.8 percent compared to a rise of 11.6 percent in the last year's corresponding review period. On y-o-y basis, the credit disbursement from BFIs expanded by 13.6 percent in mid-January 2016 due to a very low growth of credit mobilization in the major economic sectors such as industrial production, wholesale and retail trade, construction and agriculture.

In the first six months of 2015/16, while the NRB mopped up liquidity amounting to NPR 304.85 billion through deposit auctions, reverse repo and outright sale auction, it injected net liquidity of NPR 234.13 billion through the net purchase of USD 2.23 billion from foreign exchange market. In the corresponding review period of the previous year, the amount of mopped up liquidity and injected net liquidity were NPR 335.50 billion and NPR 157.20 billion respectively.

Interest Rate Structure

Both weighted average 91-day Treasury bill rate and inter-bank transaction rates among commercial banks have increased in the six month of 2015/16 compared to the last year. The weighted average 91-days Treasury bill rate increased to 0.68 percent in the review month from 0.16 percent a year ago. Likewise, in the review month, while the weighted average inter-bank transaction rate among commercial banks went up to 0.26 percent from 0.15 percent a year ago; that of other financial institutions declined to 1.21 percent from 2.51 percent last year.

Fiscal Situation

Government of Nepal's (GoN) budget on cash basis remained at a surplus of NPR28.93 billion in the first six months of 2015/16 compared to a surplus of NPR 64.95 billion in the corresponding period of the previous fiscal year.

There has been decline in revenue mobilization but the expenditure of GoN has gone up in the review period. While the government revenue dropped by 13.7 percent to NPR 164.33 billion, government recurrent expenditure increased by 8.5 percent to NPR 126.01 billion in contrast to a respective increase of 16.6 percent and 4.9 percent in the corresponding period a year ago. Similarly, the government capital expenditure also recorded a drop by 1.5 percent during the review period in contrast to the last years increase by 49.2 percent in the same review period. While disruption in the Southern custom points has been the primary causation of the overall decline in the government revenue mobilization, delay in post-earthquake reconstruction and interruption in important projects due to fuel shortage contributed to the Government's under spending in the review period.

External Sector Situation

In the first six months of 2015/16, merchandise exports recorded a significant drop by 27.2 percent amounting to NPR 31.59 billion compared to a drop of 3.9 percent in the corresponding period of the last year. Similarly, the imports also declined by 25.7 percent to NPR 277.79 billion in contrast to the rise by 12 percent in the last year's corresponding review period. The substantial decline in both imports and exports is attributed to obstructions at the customs points because of unrest in southern plains. In the review period, decline in imports was mainly observed in petroleum products, vehicles and spare parts, electrical equipment, sliver, edible oil, among others. In the review period, the total trade deficit contracted by 25.5 percent to NPR 246.20 billion compared to an expansion by 14.5 percent in the same period of the previous year.

Workers' remittances increased by 17.3 percent to NPR 323.69 billion compared to an increase of 3.9 percent in the same period of the previous year. This has contributed to an increase of net transfer receipt by 20.5 percent to NPR 378.85 billion in the review period compared to an increase by 2 percent in the same period of the previous year. The accumulation of gross foreign exchange reserves amounted to NPR 988.40 billion at mid-January 2016, a rise of 19.9 percent from NPR 824.06 billion in mid-July, 2015. Compared to the level of foreign exchange reserves in mid-July 2015, the rise in the reserves in mid-January 2016 of the NRB and other BFIs was recorded at 21.4 percent and 11.4 percent respectively. With this, NRB now holds 83.4 percent of total foreign exchange reserves. The foreign exchange holding of the banking sector is sufficient to cover prospective merchandise imports of 21.7 months and merchandise and services imports of 17.6 months.

In the first six months of 2015/16, the current account registered a surplus of NPR157.52 billion compared to surplus of NPR 13.82 billion in the corresponding period of previous year. Also, the overall BOP recorded a significant surplus of NPR 139.75 billion in the review period. Such surplus was only NPR 34.26 billion in the corresponding review period last year.

The capital transfer and foreign direct investment (FDI) in the review period amounted to NPR 7.41 billion and NPR 1.93 billion respectively compared to NPR 5.98 billion and NPR 1.03 billion respectively in the last year's corresponding review period. Similarly, NRB approved dividend payment of NPR 1.89 billion to FDI companies in the review period. The dividend payment was NPR 7.21 billion in 2014/15.

HIGHLIGHTS OF MAJOR POLICY ANNOUNCEMENT

The monetary policy announced for the fiscal year 2015/16 was particularly aimed at assisting the revival of the overall economy that had been severely impacted by the devastating earthquake. The review period witnessed the continuation of the main policy stances in terms of cash reserve ratios (CRR) of BFIs, concessional loan to earthquake victims, productive sector lending, deprived sector lending, and enhanced financial access, among others. In course of its monetary policy implementation, the NRB has issued directives pertaining to branch acquisition of problematic bank under specified provisions, special refinance facility for extending credit to agriculture and small enterprises in the specified highly poverty strike districts, and opening branches in specified areas without the NRB's approval. The number of BFIs opting for mergers and acquisition has also been increasing after the increment in minimum paid up capital requirement aimed at strengthening financial stability.

However, the unrest in the Terai region and subsequent trade-transit disturbances in the Indo-Nepal transit points have added to the complexities of economic adversity. The NRB has issued directives to address the impact of this disruption in order to ease economic activities. Such directives include continuation of deferred loans as pass loans until mid-January 2016 and exemption from any penalty for such loan, restructuring of the loan and extension in the time period of import loans, among others.

KEY ECONOMIC INDICATORS OF NEPAL

	Unit	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14^{R}	2014-15^{P}	2015-16^{6M}
I. Real Sector													
Per Capita GDP	US$	328	350	410	491	497	610	714	702	708	717	762	NA
Real GDP Growth	%	3.5	3.4	3.4	6.1	4.5	4.8	3.4	4.8	3.9	5.4	3.4	NA
GDP (MP)	Billion US$	8.3	9	10.3	12.5	12.9	16	18.9	18.9	19.2	19.4	21.4	NA
Agriculture	% of GDP	35.2	33.6	32.5	31.7	33	35.4	37.1	35.2	33.9	32.5	31.7	NA
Industry	% of GDP	17.1	16.7	16.6	16.8	15.9	15.1	14.9	15	15.2	15.1	15.1	NA
Services	% of GDP	47.7	49.7	50.9	51.5	51.2	49.5	48	49.8	51	52.4	53.2	NA
Investment	% of GDP	26.5	26.9	28.7	30.3	31.7	38.3	38	34.5	37.3	40.5	NA	NA
National Savings	% of GDP	28.4	29	28.6	33.2	35.9	35.9	37	39.5	40.3	45.1	44.6	NA
Headline Inflation	%	4.5	8	6.4	7.7	13.2	9.6	9.6	8.3	9.9	9.1	7.2	12.1
- Food Inflation	%	4	7.8	7.2	10.1	16.7	15.1	14.7	7.7	9.6	11.6	9.6	15.2
- Non-Food Inflation	%	5.1	8.1	5.5	5.1	9.5	4.9	5.4	9	10	6.8	5.2	9.7
- Core inflation	%	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
II. Fiscal Sector													
Revenue Collection (CSR)	Billion US$	0.98	1	1.25	1.66	1.87	2.4	2.75	3.03	3.4	3.6	4.1	1.6
Fiscal Deficit (excluding grants)	% of GDP	-5.5	-5.9	-6.3	-6.59	-7.71	-6.69	-6.99	-6.19	-3.28	-2.6	-3.2	NA
Fiscal Deficit (including grants)	% of GDP	-3.1	-3.8	-4.1	-4.1	-5.04	-3.45	-3.63	-3.52	-1.84	-0.7	-1.8	NA
Public Debt*	% of GDP	53.3	51.6	45.7	46.1	40.8	33.9	32.5	34.3	32.2	28.5	24.5	NA
- of which foreign currency	% of GDP	37.3	35.8	29.8	30.6	27.9	21.5	19	20.2	19.7	17.9	15.4	NA
- domestic debt#	% of GDP	16.1	15.9	15.9	15.4	15	12.4	13.5	14	12.5	10.6	9.1	NA
- debt servicing^	% of total revenue	28.2	28.3	26.1	21.15	18.81	15.96	15.1	14.45	16.4	16.6	13.8	NA
III. External Sector													
Exports (f.o.b)	Billion US$	0.83	0.85	0.89	0.95	0.9	0.85	0.95	1	0.98	1	1	0.3
Imports (f.o.b.)	Billion US$	2.02	2.37	2.66	3.35	3.63	4.95	5.37	5.61	6.22	7.1	7.7	2.6
Trade Deficit	Billion US$	-1.19	-1.52	-1.77	-2.4	-2.72	-4.09	-4.42	-4.6	-5.25	-6.3	-6.9	-2.3
Remittances	Billion US$	0.91	1.35	1.42	2.19	2.73	3.13	3.51	4.41	4.93	5.5	6.2	3.1
Current Account Balance	Billion US$	0.16	0.2	0.05	0.36	5.39	-0.37	-0.18	0.91	0.63	0.9	1.1	1.5
Current Account Balance	% of GDP	1.91	2.27	0.45	3.02	4.19	-2.36	-0.94	4.5	3.4	4.7	5	NA
Total Foreign Investment	Million US$	1.89	-6.49	5.14	4.52	23.79	38.99	89.96	112.46	102	32.5	44.1	18.2
- Foreign Direct Investment	Million US$	1.89	-6.49	5.14	4.52	23.79	38.99	89.96	112.46	102	32.5	44.1	18.2
- Portfolio Investment	Million US$	-	-	-	-	-	-	-	-	-	-	-	-
External Debt and Forex Liabilities	Billion US$	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
External Debt and Forex Liabilities	% of forex earnings	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Short-term debt to GDP	%	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
External Debt Servicing Ratio		NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Exchange Rate@	Per US$	70.35	74.1	64.85	68.5	78.05	74.44	70.95	88.6	95	95.9	101.5	106.1
Foreign Exchange Reserves	Billion US$	1.85	2.23	2.55	2.64	3.67	3.61	3.83	4.96	5.61	6.9	8.2	9.3
IV. Monetary & Capital Market													
Monetary **													
Growth Rate of M_1	y-o-y	6.6	14.2	12.2	21.6	27.3	11.1	4.8	18.6	14.4	17.7	19.7	37.9
Growth Rate of M_2	y-o-y	8.3	15.6	14	25.2	27.3	16.7	12.2	22.7	16.4	19.1	19.9	23.5
Growth Rate of M_3	y-o-y	7.9	15.7	13.9	25	29.4	15.3	11.6	22.3	16.7	18.4	19.8	23.4
Weighted Avg Lending Rate	%	NA	NA	NA	NA	NA	NA	NA	12.4	12.1	10.6	9.6	9.3
Credit growth to Private Sector	%	14.2	14.4	12.3	24.3	29	17.9	13.9	11.3	20.2	18.7	19.8	13.6
Capital Market													

Stock Market (Price Index)	1991=100	286.7	386.8	683.9	963.4	749.1	477.7	362.9	389.7	518.3	1036.1	961.2	1190.2
Market Capitalization (as leading stock mkt)	Domestic Currency in Billion	61.4	96.8	186.3	366.2	512.9	376.9	323.5	368.3	514.5	1057.2	989.4	1282.9
Market Capitalization (as leading stock mkt)	% of GDP	10.4	14.8	25.6	44.9	51.9	31.6	23.7	24.1	30.4	54.4	46.6	60.4
Market Capitalization (as leading stock mkt)	Billion US$	0.856	1.344	2.654	5.658	6.698	5.077	4.489	4.563	5.869	10.8	9.9	12.1
V. Banking Sector Indicators													
Capital adequacy ratio	%	NA	NA	NA	NA	7.2	9.6	10.6	11.5	13.2	11.3	12.9	12.7
Non performing loans	%	NA	NA	NA	NA	3.6	2.5	3.2	2.6	2.6	3.8	3.3	2.9
Profitability (R.O.E.)	%	NA	NA	NA	NA	NA	NA	NA	11.4	13.2	20.1	22.8	10
Profitability (R.O.A.)	%	NA	NA	NA	NA	NA	NA	NA	1.2	1.4	1.6	1.7	0.8

Fiscal year in Nepal starts at mid – July.

Amount in Nepalese Rs. has been converted into US$ with the fiscal year's annual average exchange rate

Fiscal Sector Data from FY 2009/10 has been reported as per Government Finance Statistics Manual(IMF), 2001 that may not be consistent with previous reporting.

Foot Notes:

* = Includes both gross domestic and external borrowing

= Gross domestic debt .

^ = Includes both domestc and external debt servicing.

@ = Represents the exchange rate of the last day of the fiscal year

** = Including consolidated balance sheet of 'B' and 'C' lass Financial Institutions since July 2011.

6M= Based on Six months data of 2015/16 from Current Macroeconomic and Financial Situation Ref:

www.nrb.org.np/ofg/macroeconomic.php?tp=current_macroeconomic&vw=15

R= Revised

P= Preliminary estimates

PAKISTAN

RECENT OVERALL MACROECONMIC DEVELOPMENTS

Key macroeconomic indicators of Pakistan's economy continued to exhibit improvements during H1-FY16 (July-December 2015). While inflationary environment stayed benign, the economic activities picked-up and fiscal consolidation remained on track. Further, the successful completion of review under IMF's EFF and disbursements from multilateral and bilateral sources added to country's external buffers. In addition, the pickup in private sector credit and improved security situation led to strengthening of investor and consumer confidence. With improved macroeconomic conditions, business sentiments are likely to strengthen further. Pick-up in credit to private sector is also likely to help augment performance of Pak economy during remaining half of FY16.

For GDP growth, government has set target of 5.5 percent for FY16 which is higher than 4.2 percent GDP growth in FY15. In view of high expectations of activities in Pak economy, the government has set relatively higher growth targets for industry (6.4 percent) and services sector (5.7 percent), while slightly lower target for agriculture sector (3.9 percent) during FY16. During July-November FY16, large-scale manufacturing (LSM) grew by 4.4 percent compared to 3.1 percent in the corresponding period of the previous year. Higher growth in LSM is supported by construction activity, improved energy supply particularly of gas, and a stable and low interest rate environment. Buoyant construction activity is reflected in the 16.0 percent increase in domestic cement sales during H1-FY16 and has largely been led by the Public Sector Development Program.

Average CPI inflation has declined to 2.1 percent during July-December 2015, with perishable food items and motor fuel leading the way. Keeping in view the benign outlook of global commodity prices, expectation of a moderate pickup in domestic demand and further ease in supply side constraints, it is expected that the average inflation in FY16 is likely to remain within the range of 3 to 4 percent. However, global oil price trends and excess domestic food stocks (wheat, rice, and sugar) may exert downward pressures on inflation. Moreover, the trend in core inflation has also reversed as both NFNE and trimmed measures of core inflation seem to have bottomed out.

During H1-FY16, the money supply (M2) has shown an increase of 4.1 percent. Total private sector credit increased by Rs 339.8 billion during H1-FY16 compared to Rs 224.5 billion in the same period of the previous year. Substantial increase in private sector credit indicated improving real economic activity. This increase was contributed by higher credit for both working capital and fixed investment purposes.

The latter in particular is an encouraging development as fixed investment had been stagnant at around 15.0 percent of GDP during the last three years. Moreover, despite the lower commodity prices and raw material costs, increase in credit for working capital indicates that the underlying current economic activity is stronger relative to the previous year.

On fiscal front, the improvements occurred as fiscal deficit was contained to 1.1 percent of GDP during Q1-FY16, compared to 1.2 percent in the same period last year. This reduction, despite substantial increase in development expenditures during Q1-FY16, was due to improvement in tax revenues and containment of current expenditures. The improvement in fiscal accounts may continue in the remaining months of FY16. While additional tax measures announced in October 2015 are expected to contribute to growth in FBR revenues, current spending is likely to remain within target.

The overall balance of payment position also strengthened in H1-FY16. The external current account deficit narrowed down to almost half of the last year's level on account of persistent decline in international oil price and steady growth in workers' remittances. In the capital and financial accounts, besides strong official inflows, there is some improvement in foreign direct investment. Given depressed outlook of international commodity prices, the external current account deficit is expected to remain lower than last year. With continuation of the IMF EFF and expected disbursements from other official sources, the surplus in capital and financial accounts may increase in the second half of FY16. These are expected to have favorable impact on foreign exchange reserves. Furthermore, expected increase in FDI from China may help maintain an upward trajectory in foreign exchange reserves.

HIGHLIGHTS OF MAJOR POLICY ANNOUNCEMENTS

Monetary Policy Statement

The policy rate was kept unchanged at 6.5 percent by SBP in its monetary policy decision of July 2015. However, SBP decided to reduce the policy rate by 50bps from 6.5 percent to 6.0 percent in its monetary policy decision of September 2015. Softening of inflationary pressures and improvements in external account facilitated SBP to cut its policy rate by 50bps. However, it was kept unchanged at 6.0 percent during the policy decision of November 2015.

Other Policy Changes

1. SBP achieved an important landmark in terms of an independent monetary policy setting. In November 2015, the Parliament legislated amendments in the State Bank of Pakistan Act, 1956 establishing an independent Monetary Policy Committee (MPC) empowered to make monetary

policy and its allied decisions. Earlier, there was an Advisory Committee on Monetary Policy with the mandate to make recommendations to the Board, which was entrusted with the powers to make monetary policy decisions. MPC comprises 9 members including three members of the Board nominated by the Board itself, three external members who shall be economist and appointed by the Federal Government on recommendation of the Board and three senior executives of the Bank nominated by the Governor. The Governor SBP is the Chairman of the committee.

2. In order to exert self discipline on banks, promote healthy competition and ethical practices, SBP has issued "Guidelines of Business Conduct for Banks". The banks have been advised to follow the guidelines while dealing with their customers. The Guidelines contain application & definitions, banks' key commitments, general obligations to its customers, general disclosure of product & services and standards of conduct. In order to facilitate the stakeholders related regulations/instructions issued from time to time have also been made part of the document. The Guidelines are likely to help customers better understand their rights and responsibilities as well as banks' responsibilities in serving them.

3. Keeping in view the rising trend in debt property swaps, the SBP has introduced a separate set of regulations on debt property swap so as to better supervise the exposure of banking industry to real estate sector i.e. Regulations for Debt Property Swap (DPS). The Regulations are meant to set minimum standards for DPS transactions and minimize risks in the settlement of non-performing loans (NPLs). The banks/DFIs lacking appropriate systems and procedures to ensure full compliance with these regulations are also given a time period of three months to streamline and/or develop the required systems and procedures. The DPS regulations are in addition to all applicable laws including Financial Institutions (Recovery of Finances) Ordinance, 2001.

4. In order to further strengthen corporate governance regime for Microfinance Banks (MFBs), the SBP has issued the following instructions: a) MFBs shall conduct prior self assessment of the fitness and propriety of their Board Members, Presidents/CEOs and Key Executives; b) the Board of Directors or the concerned Board Committee of the MFB shall be responsible to appoint, determine compensation package (including retirement benefits), promotion/ demotion and renewal of the employment contracts of the Key Executives; c) MFBs shall ensure that none of the Key Executive positions shall be filled by an executive on acting/additional charge basis for

more than six (6) months; d) MFBs shall ensure that all fresh appointments as well as reappointments and/or renewals of employment contracts of Presidents/CEOs, Directors and Key Executives are strictly made in accordance with the revised instructions.

5. As part of its commitment to ensure stability of financial system and further strengthen the supervisory and regulatory regime, the SBP has designed a framework encompassing; (a) setting criteria for identifying the Domestic-Systemically Important Financial Institutions (D-SIBs) and (b) way forward on policy implications with respect to D-SIBs to enhance their resilience. The framework adopts the benchmark BCBS methodology for constructing criteria for identifying D-SIBs in Pakistan. Indicators used to gauge systemic importance include: size, interconnectedness, substitutability and complexity. Further, the framework touches upon the matter of possible specific regulations, monitoring, and disclosure requirements for D-SIBs to maintain financial stability and reduce the probability of direct support and implicit Govt. guarantee for managing D-SIBs during crisis. It is expected that identification of the D-SIBs and future work on development of regulatory and supervisory framework will go a long way in limiting systemic risk and ensuring financials sector stability.

6. **State Bank of Pakistan Voted as the Best Central Bank for Promoting Islamic Finance**

   The SBP has been voted as the best Central Bank for Promoting Islamic Finance by a poll conducted by 'International Finance News', an arm of Red Money Group Malaysia. The votes were received from various institutions, practitioners and academicians from all over the world. It may be noted that a high level Steering Committee for Promotion of Islamic Banking has been constituted by the Government that has played an instrumental role in synergizing efforts of all stakeholders and creating an enabling environment for the growth of Islamic banking and finance in the country. Being cognizant of the challenges faced by Islamic banking industry SBP has provided liquidity management solutions for providing much desired Shariah compliant investment avenues to the industry. The revised Shariah Governance framework has laid down the necessary framework for ensuring Shariah compliance in Islamic banking institutions. Minimum capital requirement to establish Islamic banking subsidiary has been rationalized to attract new investment to this sector. Pakistan has also re-entered the international Sukuk market after nine years by issuing a sovereign Ijara Sukuk that was oversubscribed.

7. Pakistan ranked among top five countries in the Global Index on Financial Inclusion 2015

Pakistan's financial inclusion ranking has been elevated to number 5 in the Global Index on Financial Inclusion, two notches up from the 2014 ranking as revealed by the Economist Intelligence Unit's (EIU) Global Microscope 2015 Report. The Report assesses the regulatory environment for financial inclusion across 12 indicators and 55 countries. The country rankings are based on their progress and commitment to financial inclusion, regulatory and supervisory environment, market infrastructure and financial stability etc. Microscope 2015 is directed towards practitioners, policymakers, investors, and other stakeholders in the area of financial inclusion to help drive financial inclusion through their respective roles.

The EIU Report attributed the improvement in Pakistan's ranking to the top level commitment, consistency, and major financial inclusion initiatives implemented by SBP during the year. It particularly pinned Pakistan's financial inclusion progress on a very well documented and articulated National Financial Inclusion Strategy (NFIS), policy on Asaan Accounts, passage of Credit Bureau Act, membership of global Better Than Cash Alliance, and Financial Literacy Initiatives. The report also highlights some key challenges facing Pakistan in NFIS implementation including the constrained supply of credit to underserved markets, deficiency in land titling and registration, the absence of a secured transaction framework and electronic collateral registry for movable assets, and lack of capacity in both financial institutions and clients. It is important to mention that NFIS has already prioritized these challenges and will build momentum to push forward reforms to achieve universal financial inclusion in an integrated and sustained manner.

KEY ECONOMIC INDICATORS OF PAKISTAN

	Unit	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15[P]	2015-16 (up Dec 2015)
I. Real Sector											
Per Capita GDP	US$	980	1,053	1,026	1,072	1,274	1,321	1,340	1,384	1,512	1,531
Real GDP Growth	%	6.8	3.7	1.7	3.1	3.0	4.4	3.7[R]	4	4.2	5.5[T]
Nominal GDP (MP)	Billion US$	143.0	163.5	161.8	176.5	214	225	231	244	270	293
Agriculture	% of GDP	21.9	21.3	21.8	21.3	21.2	21.1	21.2	21	20.9	24.0
Industry	% of GDP	26.3	25.8	25.3	26.0	25.5	25.4	20.9	20.8	20.3	17.9
Services	% of GDP	51.8	52.9	52.9	52.6	53.4	53.5	58	58	59	52
Investment	% of GDP	22.5	22.1	18.2	15.6	13.1	14.9	14.6[R]	15[R]	15	17.7[T]
National Savings	% of GDP	17.4	13.6	12.5	13.1	13.2	12.8	13.5	13.7[R]	15	16.8[T]
Headline Inflation (yoy)	%	7.77	12.00	17.0	10.10	13.66	11.0	7.4	8.6	4.5	2.1
- Food Inflation (yoy)	%	10.30	17.60	23.70	12.9	18.00	11.0	7.1	9.0	3.5	1.0
- Non-Food Inflation (yoy)	%	6.00	7.90	18.40	8.2	10.70	11.0	7.5	8.3	5.3	2.9
- Core inflation (yoy)	%	5.90	8.40	17.60	7.6	9.40	10.6	9.6	8.5	4.9	2.7
II. Fiscal Sector											
Revenue Collection	Billion US$	21.4	23.9	23.5	24.8	26.3	27.8	30.8	35.4	41.6	19.1
Fiscal Deficit	% of GDP	4.35	7.59	5.35	6.28	6.62	8.8[$]	8.2	5.5[R]	5	1.7
Public Debt	% of GDP	57.2	60.7	61.5	61.4	60.1	65	65	66	65	62
- of which foreign currency	% of GDP	27.5	29.7	32.3	33.0	31	30.9	27	25.8	24.2	23.4
- domestic debt	% of GDP	30.1	31.9	29.2	31	32.9	38.1	42.8[R]	43.8	44.8	42
Public Debt Servicing	% of total revenue	36.7	37.2	46.6	47.1	45.0	49.3	52	49.3[R]	43.4	38.6
III. External Sector											
Exports (f.o.b)	Billion US$	17.0	19.1	17.7	19.3	24.8	24.7	24.8	25.1	24.1	10.3
Imports (c.i.f)	Billion US$	30.5	40.0	34.8	34.7	40.4	40.5	40.2	41.7	41.3	22.2
Trade Balance	Billion US$	-13.6	-20.9	-17.1	-15.4	-15.6	-15.7	-15.4	-16.7	-17.1	-11.9
Remittances	Billion US$	5.5	6.5	7.8	8.9	11.2	13.2	13.9	15.8	18.7	9.7
Current Account Balance	Billion US$	-6.9	-13.9	-9.3	-3.9	0.2	-4.7	-2.5	-3.1	-2.7	-1.3
Current Account Balance	% of GDP	-5	-9	-6	-2	0	-2	-1.1	-1.3	-1.0	-0.4
Total Foreign Investment	Million US$	8,688.6	5,574.8	2,646.8	2086	1979.2	707.8	1,580.6	4,436.6	2,767.0	887.0
- FDI	Million US$	5140	5410	3720	2151	1634.7	821	1258	1572	923	669
- Portfolio Investment	Million US$	3283	32	-1073	-65	344.5	-112	26	2760	1844	217
External Debt and Forex Liabilities	Billion US$	40.3	46.2	52.3	61.6	66.4	65.5	60.9	65.4	65.1	61.5
EDL/FEE	Percent	127.9	131	152.7	166.5	143.8	140.8	120	160.0@	-	-
Short-term external debt	% of GDP	0.05	0	0.43	0.56	0.34	0.23	0	0.21	-	0.43
External Debt Servicing Ratio	***	9	9	14	12	8	10	-	-	-	10.6
Exchange Rate (average)	Per US$	60.64	62.63	78.62	83.89	85.56	89.27	96.85	102.88	101.46	104.7
Foreign Exchange Reserves	Billion US$	16.6	11.6	12.8	16.7	18.2	15.3	11.0	14.1	18.7	20.8
IV. Monetary & Capital Market											
Growth Rate of M_1	y-o-y	16	4.6	9.8	14.1	17.5	13.9	20.7	15.2R	16.2	4.8
Growth Rate of M_2	y-o-y	18.9	11.9	9.5	13.0	16.7	13.4	16.6	12.8R	12.7	4.1
Growth Rate of M_3	y-o-y	16.3	10.9	12.5	13.7	16.3	12.7	17.1	12.1R	12.7	4.5
Weighted Avg Lending Rate	%	10.32	12.75	14.32	13.22	14.25	13.13	10.56	10.37	8.24	7.78
Credit growth to Private Sector	%	17.3	16.5	0.7	3.9	4.0	7.5	-0.6	6.2	5.6	5.6
Stock Market (Price Index)	1991=1000	17,772.5	12289	7162.2	9,721.9	12,496.6	13801	21,005.7	29,653	34,399	32,816
Market Capitalization (as leading stock mkt)	PKR Billion	4019.4	3777.7	2120.7	2732.4	3288.7	3518.1	5,155	6,171	7,211	6,903
Market Capitalization (as leading stock mkt)	% of GDP	46.3	36.9	16.7	18.5	18.2	17.0	22.5	24.6	26.3	23.5
Market Capitalization (as leading stock mkt)	Billion US$	67	55	26	32	38	37	53.2	60	71.1	65.9
V. Banking Sector Indicators											
Capital adequacy ratio (CAR)	%	12.3	12.2	14.0	13.9	14.1	15.1	15.5	15.1	17.2	17.3
Non-performing loans	%	7.6	10.5	12.6	14.9	15.3	15.9	14.8	12.8	12.4	11.4
Before Tax Profitability (R.O.E.)	%	22.6	11.4	13.2	15.5	21.8	25.9	18.5	23.5	27.5	25.8
Before Tax Profitability (R.O.A.)	%	2.2	1.2	1.3	1.5	2.1	2.4	1.7	2.1	2.7	2.5

Source: Pakistan Bureau of Statistics; State Bank of Pakistan, Ministry of Finance. **Note**: P= Provisional; T= target; $ Fiscal deficit includes PSEs debt adjustment; GDP in dollar terms is calculated using average exchange rate during the year; '-':Data not available.

Definitions:

M1= Notes in Circulation outside Depository Corporation + Transferable Deposits with ODCs + Transferable Deposits with SBP other than Reserve Deposits

M2= M1 + Other Deposits with ODCs + Short Term Securities Issued by ODCs + Coin in Circulation; M3 = M2 + Deposits held wit Post Office + National Saving Schemes (CDNS)

*** The ratio of debt service (interest and principal payments due, excluding short-term debt servicing of banks) during a year, expressed as a percentage of current receipts minus official transfers. Fiscal deficit = total revenue - total expenditure: EDL/FEE: External Debt and Liabilities (EDL) as a percentage of Foreign Exchange Earnings (FEE).

SRI LANKA

RECENT OVERALL MACROECONOMIC DEVELOPMENTS

Real economic growth in Sri Lanka in 2015 registered 4.8 per cent, compared with 4.9 per cent in 2014.[5] A slowdown in the growth of demand in Sri Lanka's traditional export markets impacted the growth of the export sector while a strengthening US economy prompted short term capital outflows. The impact of these developments was offset to some extent by lower international commodity prices. Agriculture and services related activities grew by 5.5 per cent and 5.3 per cent, respectively, while industry related activities grew by 3.0 per cent during 2015.

Inflation, based on CCPI (2006/07=100), remained below mid-single digit levels, supported by the downward adjustment of prices of several key consumer items, favourable supply side developments in the domestic and international markets, and well contained inflation expectations. Headline inflation, as measured by the year-on-year change of CCPI, declined sharply from 3.2 per cent in January 2015 to 0.6 per cent in February 2015, with the price revisions introduced in the Interim Budget for 2015. Year-on-year Inflation remained below 1 per cent thereafter until September 2015, while recording negative inflation during July-September 2015. Inflation picked up in the fourth quarter of 2015, and recorded 2.8 per cent by end 2015. Annual average headline inflation declined from 3.3 per cent in 2014 to 0.9 per cent in 2015. Meanwhile, in 2015, the DCS introduced the National Consumer Price Index (NCPI, 2013=100), which captures price movements of all provinces and changes in consumption patterns based on the findings of the Household Income and Expenditure Survey (HIES, 2012/13). Inflation based on NCPI was at 4.2 per cent on a year-on-year basis and 3.8 per cent on an annual average basis by end 2015. Wage inflation was particularly high in the public sector, as reflected by the change in the public sector wage rate indices, which registered 31.7 per cent in nominal terms and 27.0 per cent in real terms in 2015.

The unemployment rate increased to 4.6 per cent during 2015, compared to 4.3 per cent recorded in 2014, amidst a marginal increase in labour force participation, particularly by females. The female unemployment rate increased from 6.5 per cent to 7.6 per cent, while the male unemployment rate declined from 3.1 per cent to 3.0 per cent in 2015, compared to 2014. The increase in unemployment

[5] In July 2015, the Department of Census and Statistics (DCS) changed the base year for national accounts statistics to 2010 from 2002, while adopting the United Nation's System of National Accounts (SNA) 2008 standard. The improved compilation procedure captures the changes in the economic structure of Sri Lanka over the past decade and introduces new economic activities to the national accounts system. The rebased GDP estimates had varying effects on macroeconomic indicators. The analysis of the state of the Sri Lankan economy in 2015 provided in the CBSL Annual Report is based on new GDP estimates, which are provisional.

among youth and those with GCE A/L and higher qualifications was notable. The labour force participation rate increased to 53.8 per cent in 2015, from 53.3 per cent in 2014, with increased participation of rural sector females in the labour force.

The performance of Sri Lanka's external sector reflected the impact of the changing global economic environment as well as a number of developments in the domestic economy. In spite of the benefit of lower expenditure on fuel imports, the merchandise trade deficit widened marginally by 1.7 per cent over the previous year, due to the increase in non-oil imports and the slowdown in export earnings. Continued increase in tourist arrivals and higher spending by tourists resulted in a growth in earnings from tourism, which contributed substantially to the improved performance of the services account during the year. The deficit in the primary income account continued to widen in 2015. However, the surpluses in the secondary income and services accounts helped abate a large deficit in the external current account. Along with the deterioration of the BOP, the country's gross official reserves declined to US dollars 7.3 billion by end 2015 from US dollars 8.2 billion at end 2014. Meanwhile, the rupee, which remained broadly stable during the first eight months of the year, depreciated at a faster pace from early September with the Central Bank's decision to allow greater flexibility in the determination of the exchange rate, based on market forces. Accordingly, as of end 2015, the rupee had recorded a depreciation of 9.03 per cent against the US dollar.

The government expected to reduce the budget deficit to 4.4 per cent of GDP in 2015 from 5.7 per cent recorded in 2014, while maintaining the central government debt to GDP ratio at 72.0 per cent in 2015, as per the targets outlined in the Medium Term Macro Fiscal Framework 2014-2017 of the Fiscal Management Report for 2015. Nevertheless, the fiscal sector performance deteriorated in 2015, resulting in deviations from the budgetary targets stipulated in the Interim Budget for 2015. Accordingly, the budget deficit increased from 5.7 per cent of GDP in 2014 to 7.4 per cent of GDP in 2015, significantly overshooting the government's original target of 4.4 per cent of GDP. The current account deficit, which reflects government dis-savings, increased to 2.2 per cent of GDP in 2015 from 1.2 per cent in the previous year, while the primary deficit, which excludes interest payments from the overall deficit, increased to 2.9 per cent of GDP from 1.5 per cent in 2014.

The Central Bank continued to maintain an accommodative monetary policy stance during the year in an environment of persistently low inflation, but initiated a gradual tightening of monetary policy from end 2015 with a view to preempting excessive demand pressures on inflation, emanating from high credit and money expansion. Broad money (M_{2b}) growth accelerated during 2015 due to the expansion in credit to both public and private sectors. M_{2b} increased by 17.8 per cent, year-on-year, by end 2015 compared to a growth of 13.4 per cent at end 2014, while the average broad money growth was 15.2 per cent during the year. As net foreign assets (NFA) of the banking system recorded a contraction during the year, the expansion in broad money was entirely due to the increase in net domestic assets (NDA) in 2015 underpinned by domestic credit expansion. In response to the continued relaxed monetary policy stance, credit extended to the private sector by the banking system expanded at a high rate. By end 2015, credit to the private sector increased by 25.1 per cent on a year on year basis, compared to the 8.8 per cent growth recorded at end 2014.

In 2015, the financial sector demonstrated its resilience to volatile market conditions emanating from domestic and global uncertainties. Business operations of the banking sector expanded, supported by increased credit demand against the backdrop of the low interest rate regime, increased profits and internal capital generation, which augmented the cushion available in the sector for absorbing risks arising from any adverse shocks. Asset quality of the banking sector improved during the year. The finance and leasing companies sector also recorded improved performance as reflected in its increased relative share in terms of total assets of the domestic financial system. The Central Bank continued to take regulatory measures in 2015 to protect depositors' and investors' interest in a few liquidity threatened finance companies. It is expected that, with appropriate policies, the economy will return to a high growth path in the medium term. Addressing the already identified constraints faced by the economy, including low government revenue to GDP ratios and excessive government expenditure, falling exports to GDP ratios and insufficient inflows of FDIs remain key ingredients to achieve sustained economic growth in the medium term.

HIGHLIGHTS ON MAJOR POLICY ANNOUNCEMENTS

Considering the sustained increase in credit flows to the private sector encouraged by the low interest rate environment that was maintained during the past few years, in March 2015, the Central Bank removed the restrictions placed on the access to its Standing Deposit Facility (SDF) under open market operations (OMO) that was in effect since September 2014. Consequent to this measure, to address the excessive volatility of short term interest rates, the Central Bank lowered its key policy interest rates, namely the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR), by 50 basis points to 6.00 per cent and 7.50 per cent, respectively, in April 2015. Nevertheless, as credit and monetary aggregates continued to expand at a faster pace than projected, the Central Bank commenced tightening monetary policy gradually towards end 2015. Accordingly, the SRR applicable on all rupee deposit liabilities of commercial banks was raised by 1.50 percentage points to 7.50 per cent to be effective from the reserve period commencing 16 January 2016, signalling the end of the relaxation cycle of monetary policy. Even prior to the commencement of monetary tightening, several policy measures were introduced in the last quarter of 2015 to contain excessive credit flows to selected sectors. Accordingly, a minimum cash margin requirement was imposed on Letters of Credit (LCs) opened for the importation of motor vehicles, which was replaced later on by a maximum Loan to Value (LTV) ratio, a macro prudential measure, on loans and advances granted for the purpose of purchase or utilisation of motor vehicles. These measures, along with greater flexibility allowed in the determination of the exchange rate and the changes to the tax structure made by the government, were expected to contain excessive growth of personal loans and advances, while strengthening macroeconomic and financial system stability. Nevertheless, considering the possible aggravation of demand driven inflationary pressures due to continued high monetary expansion, as a preemptive policy measure, the Central Bank raised its SDFR and the SLFR by 50 basis points each, to 6.50 per cent and 8.00 per cent, respectively, effective from the close of business on 19 February 2016.

KEY ECONOMIC INDICATORS OF SRI LANKA

	Unit	2010	2011	2012	2013	2014	2015
I. Real Sector							
Per Capita GDP (a)	US$	2,744 (e)	3,129 (e)	3,351	3,610	3,853	3,924
Real GDP Growth (b)	%	8	8.4	9.1	3.4	4.9	4.8
GDP (MP) (a)	Billion US$	56.7	65.3	68.4	74.3	80	82.3
Agriculture (a) (c)	% of GDP	8.5	8.8	7.4	7.7	7.8	7.9
Industry (a) (c)	% of GDP	26.6	28	30.1	29.2	26.7	26.2
Services (a) (c)	% of GDP	54.6	55.1	55.6	56.4	56.3	56.6
Investment (d)	% of GDP	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
National Savings (d)	% of GDP	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Headline Inflation (f)	%	6.2	6.7	7.6	6.9	3.3	0.9
- Food Inflation	%	6.9	8.8	4.7	7.9	3.8	4.9
- Non-Food Inflation	%	5.6	5	10	6.1	2.8	-2.5
- Core inflation	%	7	6.9	5.8	4.4	3.5	3.1
II. Fiscal Sector							
Revenue Collection	Billion US$	7.2	8.8	8.2	8.8	9.2	10.7
Fiscal Deficit (excluding grants) (a)	% of GDP	-7.2	-6.4	-5.8	-5.5	-5.8	-7.4
Fiscal Deficit (including grants) (a)	% of GDP	-7	-6.2	-5.6	-5.4	-5.7	-7.4
Public Debt (a)	% of GDP	71.6	71.1	68.7	70.8	70.7	76
- of which foreign debt (a)	% of GDP	31.6	32.3	31.7	30.9	29.8	31.7
- domestic debt (a)	% of GDP	40.0	38.8	37.0	40.0	40.9	44.3
- debt servicing	% of total revenue	100.4	92.5	96.8	102.2	90.0	90.6
III. External Sector							
Exports (f.o.b)	Billion US$	8.6	10.6	9.8	10.4	11.1	10.5
Imports (f.o.b.)	Billion US$	13.5	20.3	19.2	18.0	19.4	18.9
Trade Deficit	Billion US$	-4.8	-9.7	-9.4	-7.6	-8.3	-8.4
Remittances	Billion US$	4.1	5.1	6.0	6.4	7.0	7.0
Earnings from Tourism	Billion US$	0.6	0.8	1.0	1.7	2.4	3.0
Current Account Balance	Billion US$	-1.1	-4.6	-4.0	-2.5	-2.0	-2.0
Current Account Balance (a)	% of GDP	-1.9	-7.1	-5.8	-3.4	-2.5	-2.4
Major Inflows to the Financial Account							
- Foreign Loans (net)	Billion US$	2.7	2.9	3.1	1.1	1.7	0.7
- Foreign Direct Investment (net)	Billion US$	0.4	0.9	0.9	0.9	0.8	0.6
- Portfolio Investment : Equity (net)	Billion US$	-0.2	-0.2	0.3	0.2	0.2	-
- Portfolio Investment : Securities (net)	Billion US$	1.5	1.2	1.3	1.8	1.9	0.7
- Trade Credits (net)	Billion US$	-1	-0.2	-0.7	-0.5	-0.5	-0.4
External Debt and Forex Liabilities outstanding	Billion US$	24.8	32.7	37.1	39.9	42.9	44.8
External Debt and Forex Liabilities to GDP (a)	%	37.8	50.2	54.2	53.7	53.6	54.4
Short-term debt to GDP (a)	%	10.6	11.1	9.4	9.1	9.1	9.2
External Debt Servicing Ratio	% of forex earnings	11.9	9.3	13.5	18.7	14.5	9.5
Exchange Rate (Annual Average)	Per US$	113.1	110.6	127.6	129.1	130.6	135.9
Total Foreign Assets	Billion US$	8.6	8.0	8.6	8.6	9.9	9.3
IV. Monetary & Capital Market							
Growth Rate of M_1	y-o-y	20.9	7.7	2.6	7.7	26.3	16.8
Growth Rate of M_2	y-o-y	18.0	20.9	18.3	18.0	13.1	17.2
Growth Rate of M_{2b}	y-o-y	15.8	19.1	17.6	16.7	13.4	17.8
Weighted Avg Lending Rate	%	14.8	13.44	15.98	15.18	11.91	11
Credit growth to Private Sector (As per M_{2b})	%	24.9	34.5	17.6	7.5	8.8	25.1
All Share Price Index (ASPI)	(1985=100)	6,635.9	6,074.4	5,643.0	5,912.8	7,299.0	6,894.5
Milanka Price Index (MPI)	(1998 Dec=1000)	7,061.5	5,229.2	5,119.1	-	-	-
S&P SL 20 Index	(2004 Dec=1000)	n.a.	n.a.	3,085.3	3,263.9	4,089.1	3,625.7
Market Capitalisation (as leading stock mkt)	Domestic Currency in Billion	2,210.5	2,213.9	2,167.6	2,459.9	3,104.9	2,938.0
Market Capitalisation (as leading stock mkt)	% of GDP	34.5	30.7	24.8	25.6	29.7	26.3
Market Capitalisation (as leading stock mkt)	Billion US$	19.9	19.4	17.1	18.8	23.7	20.4
V. Banking Sector Indicators							
Capital adequacy ratio	%	14.3	16	16.3	17.6	16.6	14.2
Non performing loans ratio (Net IIS)	%		3.8	3.7	5.6	4.2	3.2
Profitability (R.O.E.) (After Tax)	%	22.4	19.8	20.3	16.0	16.6	16.1
Profitability (R.O.A.) (Before Tax)	%		2.4	2.5	2.0	2.0	1.9

(a) From 2010 to 2015H1, data based on rebased estimates [(2010) prices] published by the Department of Census and Statistics
(b) From 2011 to 2015H1, data based on rebased estimates [(2010) prices] published by the Department of Census and Statistics
(c) Value added at basic price from 2010 to 2015H1
(d) Expenditure approach estimates under new method is not yet available for 2010 to 2015H1
(e) Updated with latest population figures
(f) Data for 2002 and 2003 are based on CCPI(1952=100), from 2004-2008 are based on CCPI(2002=100) and from 2009 onwards are based on CCPI(2006/07=100),
n.a. - Not available

Highlights of SAARCFINANCE, SPC and IGEG Related Activities

Regional Collaborative Studies under the aegis of SAARCFINANCE Network

As per the decision of the 29th SAARCFINANCE Group Meeting held in Washington, D.C. on 9 October 2014, Bangladesh Bank and Maldives Monetary Authority (MMA) along with associate researchers from other SAARC member central banks were supposed to jointly lead the study on "Promoting Financial Inclusion in the SAARC Region". Accordingly, Bangladesh Bank has already nominated one of its official to work as a 'Lead Researcher' in the research team of the above mentioned study. Besides, Bangladesh Bank has also nominated an official to work as an 'Associate Researcher' in the research team of the study on "Managing Capital and Remittance Flows in SAARC Region for Safeguarding Financial Stability" jointly leading by Reserve Bank of India (RBI) and State Bank of Pakistan (SBP).

SAARCFINANCE Scholarship Scheme

The Framework of SAARCFINANCE Scholarship Scheme which was introduced by the SAARCFINANCE network in January, 2013, has initially been implemented by Reserve Bank of India (RBI) in August, 2014. RBI has already provided some scholarships for the SAARC member countries central banks' officials where a Bangladesh Bank official has been selected for pursuing Ph.D. in Economics at Jawaharlal Nehru University, New Delhi, India for the academic year 2014-15. Meanwhile, RBI also sought nomination from Bangladesh Bank for Ph.D. in Economics for the academic year 2015-16 and 2016-17. Accordingly, Bangladesh Bank has already nominated one official for the academic year 2015-16.

SAARC Payment Council (SPC) related activities

As per the decision of 15th SPC Meeting held in Kathmandu, Nepal, Bangladesh Bank organized the 17th SAARC Payments Council (SPC) Meeting in Cox's Bazar, Bangladesh during 3-4 December 2015. Dr Atiur Rahman, Honorable Ex-

Governor, Bangladesh Bank inaugurated the 17th SAARC Payments Council (SPC) Meeting in Sea Pearl Beach Resort at Cox's Bazar on 3rd December, 2015. Meeting continued for two days followed by a seminar on Cyber Security on Payment Systems. Senior level officials of SAARC central banks attended the SPC meeting.

The seminar sessions were conducted by Mr. Peter Andrew Gallagher from Reserve Bank of Australia and Mr. Bharat Panchal from National Payment Council of India. Mr. Gallagher talked about crypto currencies and securities where Mr. Panchal enlightened the participants about combating cyber frauds.

Dr. Atiur Rahman welcomed all participants and inaugurated 17th SPC Meeting. Dr. Rahman appreciated the exchange of information among the SAARC countries and highlighted benefits that can be reaped through this forum. He stressed all members on deepening familiarity and interest in evolving technology driven financial services. He also shared recent developments that Bangladesh Bank has made such as launching of RTGS, allowing bank accounts for orphans having orphanage homes as their guardians to comply with KYC requirements in order to promote financial inclusion. He also spoke on development on cyber security strategy, revision of ICT security guidelines and improving business continuity arrangements in their payment and settlement systems (PSS).

The meeting was chaired by Mr. Saeed Ahmad, Deputy Governor, State Bank of Pakistan. In his opening remarks, the Chairperson appreciated efforts of BB and SPI Secretariat for arranging the event. The Chair drew participants' attention on areas that require consideration by the SAARC central banks. He highlighted the need to understand payments related new business models, role of emerging non-banks and conduct assessment of SAARC payment systems against Principles of Financial Market Infrastructures. Mr. Ahmad also emphasized that regulators should strengthen their oversight capabilities and share experiences with other members, since these new entrants and commercial service providers are bringing new risks and challenges. He finally mentioned the need of standardization to achieve harmonization of PSS in the SAARC region.

Mr. Harun Rashid, Deputy Governor, Reserve Bank of India (RBI), Ms. Nazneen Sultana, Ex-Deputy Governor, BB and Mr. Gopal Prasad Kaphle, Deputy Governor, Nepal Rastra Bank also expressed their views and briefly shared some current developments in their respective countries. All the participant countries took part in the discussion and take some future plan for way forwarding from the meeting.

SBP hosted the 22nd SAARCFINANCE Coordinators' Meeting and 1st Meeting of Collaborative Researchers

State Bank of Pakistan hosted the 22nd SAARCFINANCE Coordinators' Meeting on 17th August 2015 at National Institute of Banking and Finance (NIBAF) Islamabad. SAARCFINANCE Coordinators and Alternate SAARCFINANCE Coordinators from SAARC Central Banks and Focal Points from Ministries of Finance of the region, and representatives from Ministry of Foreign Affairs in Pakistan, and State Bank of Pakistan, attended the meeting. Mr. Ashraf Mahmood Wathra, Governor, State Bank of Pakistan inaugurated the meeting.

In his opening remarks, Mr. Wathra urged the participants to further fortify regional cooperation, especially in the areas of banking and finance, which in turn can facilitate cross border trade between the member states. He told that the 30th Group Meeting of the SAARCFINANCE has identified five areas, which will ultimately work as a roadmap for the Network. He expressed hope that the areas of mutual cooperation would help build a clear mandate for future cooperation among the members.

The Opening Session was followed by the Business Session that was chaired by Mr. Riaz Riazuddin, Deputy Governor, State Bank of Pakistan. Major issues deliberated upon during the meeting included the review of implementation of the decisions of the 30th SAARCFINANCE Group Meeting held in Dhaka on 12th June 2015; the progress and update regarding the collaborative research studies by member central banks; a review of the developments regarding the SAARCFINANCE Statistical Database; deliberation on the five areas of regional cooperation; transfer of the SAARCFINANCE Chair to the Central Bank of Sri Lanka, and Framing of Agenda for Group Meeting held in Lima, Peru in October 2015. A group of researchers from the member Central Banks were also present at the opening session that held a separate meeting under SAARCFINANCE Collaborative Research Studies Arrangements.

Presentation of Progress Report of SAARCFINANCE to SAARC Finance Ministers.

Governor and the chairman of the SAARCFINANCE Mr. Ashraf Mahmood Wathra presented the progress report of the SAARCFINANCE to the 7th SAARC Finance Ministers' Meeting held in Kathmandu, Nepal on 20th August 2015. Mr. Wathra highlighted some recent initiatives undertaken by the SAARCFINANCE Network, such as the availability of short-term liquidity for members under the SAARC Swap Arrangement; capacity building programs for officials of members under the SAARCFINANCE Scholarship Scheme; the dialogue and exchange of knowledge on issues of mutual interest through SAARCFINANCE Portal; the creation of regional statistical database, and the recent initiative on collaborative research studies. These initiatives are beneficial in fostering closer relationships and building human capability in practical fields of central banking amongst SAARC partners. Mr. Wathra also shared the decision of the 30th Group Meeting of the SAARCFINANCE, which identifies five areas for cooperation which include reducing the transaction costs of cross-border remittances in the SAARC region; cross-border trade in the region; capacity building of officials of member countries; the creation of SAARCFINANCE statistical database; and undertaking of collaborative research studies to assess issues of common interest. Further, member countries can fight with growing global challenges with their collective commitments, increased level of cooperation & information sharing, and efforts towards better shaping the future course of the SAARCFINANCE.

State Bank of Pakistan Hosted 31st SAARCFINANCE Group at Lima, Peru.

State Bank of Pakistan hosted the 31st SAARCFINANCE Group on 8th October 2015 at Lima, Peru, alongside the IMF/World Bank annual meetings. Mr. Ashraf Mahmood Wathra, Governor State Bank of Pakistan and Chairman of SAARCFINANCE chaired the Meeting. The Meeting was attended by SAARC central bank governors and finance secretaries.

In his opening remarks, Mr. Wathra expressed optimism that SAAARCFINANCE can play an important role in fostering closer relationship and building human capability in the fields of economic and finance amongst SAARC partners. He thanked all members for entrusting SBP the chairpersonship as well as for extending full support to fulfill such responsibility. He highlighted some of the recent initiatives undertaken by the Network and urged member countries to further fortify regional cooperation, especially in the areas of banking and finance.

The Opening Session was followed by the Business Session. The major issues deliberated upon during the meeting included updates on SAARCFINANCE related issues during 7th SAARC Finance Ministers' Meeting held at Kathmandu on 20th August 2015; creation of a statistical database; modalities for collaborative research studies by member countries; proposal for identifying areas of regional cooperation and integration, which would eventually act as the roadmap for SAARCFINANCE; venue for 32nd Group Meeting and Governors' Symposium 2016; transfer of SAARCFINANCE Chair from State Bank of Pakistan to Central Bank of Sri Lanka; and new proposals from the member countries to hold seminars or other activities. Before close of the Meeting, the SAARCFINANCE Chair was handed over to Central Bank of Sri Lanka from State Bank of Pakistan.

SBP hosted SAARCFINANCE Seminar on Internal Audit in Central Banks – Methodologies & Practices

State Bank of Pakistan organized a seminar on Internal Audit in Central Banks – Methodologies & Practices under the aegis of SAARCFINANCE at NIBAF, Islamabad during November 16-18, 2015. Besides Pakistan, delegates from SAARC central banks attended the seminar. Mr. Ashraf Mahmood Wathra, Governor, State Bank of Pakistan was the Chief Guest of the event.

Welcoming the delegates from SAARC member countries and speakers of the seminar, Mr. Wathra informed the audience that the seminar had been conceptualized with a keen view towards sharing knowledge on Internal Audit practices, standards, systems, latest developments and issues facing Internal Audit Functions in Central Banks across the SAARC region. He said that he was delighted to drive this initiative on behalf of SBP and hoped that seminar would add significantly to the participant's professional experience.

He pointed out that SBP had invested heavily in getting the right skills & expertise for its internal audit function. According to him, providing the required audit tools and establishing the right 'tone at the top' was essential in order to strengthen the role of internal audit in the Central Bank. He also highlighted some recent initiatives undertaken by the Central Bank such as imparting focused subject area trainings to auditors for further enhancing their functional knowledge, shifting of audit methodology from compliance based auditing to risk based auditing so as to target high risk business areas, capacity building of internal audit by maintaining pool of experts, to name a few. The seminar was

attended by the delegates from Internal Audit departments of SAARC central banks and the international as well as local speakers also shared their invaluable knowledge and experience

SAARC Payment Council

During the period, 17th SAARC Payments Council (SPC) Meeting was hosted by Bangladesh at Cox's Bazaar on December 3, 2016. Mr. Saeed Ahmad, Deputy Governor, SBP, presided the meeting as Chairman SPC. Member central banks presented developments made in PSS by their countries and shared experiences with each other. With regard to the 'Responsibility Grid' agreed by member countries in its 15th SPC Meeting, Reserve Bank of India conducted a session on recent "Developments of Committee on Payment and Market Infrastructure". The Council also reviewed "Risk Mitigation Matrix" developed by the SPC Secretariat and decided to extend further the scope of risk factors according to country's environment. For this purpose, a sub-committee was formed by the Council comprising one officer from each central bank to review and further strengthen the draft with additional risk factors based on country's own market environment.

The discussion on draft concept paper on "Single Harmonized Payments Mechanism" was also continued in this meeting with a more practical approach to identify areas where such harmonization is plausible. The Council concerted to extend cooperation among member central banks by increasing interaction through exchange of delegations. Rapid changes in payment infrastructure particularly in the context of technological developments, emerging challenges and role of non-banks were taken into account by the Council.

Upon completion of the term of SPI Secretariat at SBP, the Council proposed to move the Secretariat to Reserve Bank of India (RBI). RBI has accepted to take responsibilities of SPI Secretariat from December 2016. In the meantime, RBI will perform its role as Alternate SPI Secretariat. The Council meeting was followed by a Seminar next day on "Cyber Security in Payment Systems" and "Virtual Currencies." Mr. Peter Andrew Gallagher from Reserve Bank of Australia and Mr. Bharat Panchal from National Payments Corporation of India extensively covered the above topics. In addition to the Council members the Seminar was also attended by senior bankers as well.

Future Activities

The list of on-going and planned SAARCFINANCE activities is as follows:

- Reserve Bank of India to host the 32nd SAARCFINANCE Group Meeting and SAARCFINANCE Governors' Symposium 2016 on May 26, 2016 at Mumbai, India. The theme for the Symposium is "Impact of Chinese Slowdown on SAARC Region & Policy Options".
- Reserve Bank of India is in the process of drafting the Road Map for SAARCFINANCE, based on the objectives of the forum, and achievements thereon.
- Central Bank of Sri Lanka to host the 23rd SAARCFINANCE Coordinators' Meeting in Sri Lanka during the second quarter of 2016.
- Central Bank of Sri Lanka will facilitate the collaborative research studies and organize the next meeting of collaborative researchers alongside the 23rd SAARCFINANCE Coordinators' Meeting.