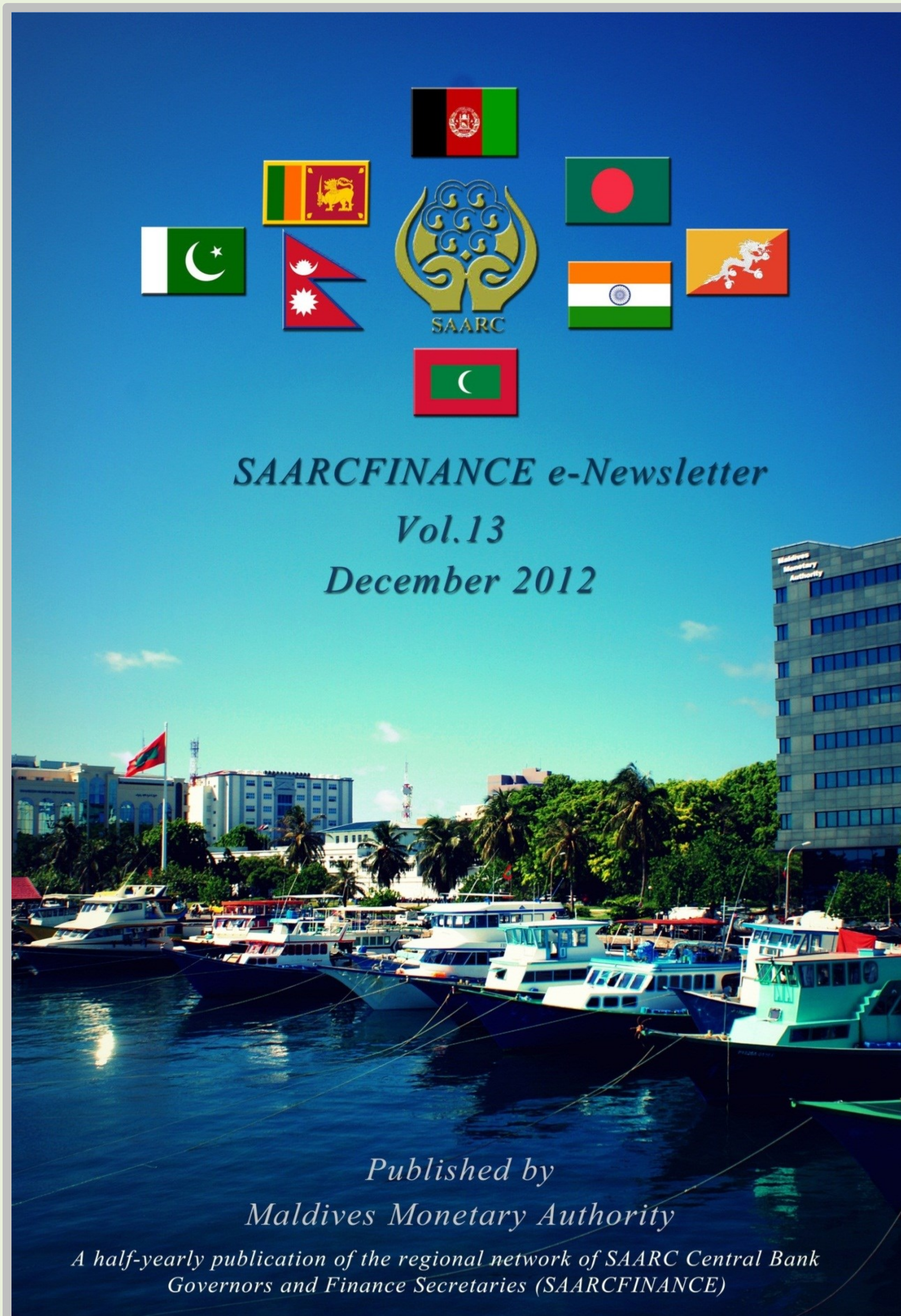

SAARC
SAARCFINANCE e-Newsletter
Vol.13
December 2012
Published by
Maldives Monetary Authority
A half-yearly publication of the regional network of SAARC Central Bank
Governors and Finance Secretaries (SAARCFINANCE)

CONTENTS **PAGE**

Message from the Chairperson of SAARCFINANCE Group

It gives me great pleasure to publish the 13th issue of the SAARCFINANCE e-Newsletter, which covers the activities undertaken by the SAARCFINANCE during the second half of 2012.

As this issue coincides with the 14th Anniversary of SAARCFINANCE, I take pleasure in marking this occasion, and congratulating the SAARCFINANCE founding governors, for their visionary thinking, reflected in the establishment of this network on 9 September 1998. I also congratulate other governors of SAARCFINANCE, past and present, for their commitment to SAARCFINANCE during their tenure of office as governors of the network, as well as the SAARCFINANCE Coordinators for their commitment to the network.

I take this opportunity to welcome and congratulate the newly appointed Alternate Coordinators and wish to work closely with them in the SAARCFINANCE network.

This issue of the newsletter consists of broad developments of SAARCFINANCE and country-wise activities undertaken from June to December 2012. As discussed at the 15th & 16th meetings of SAARCFINACE Coordinators held in Maldives, a new format of the existing e-Newsletter has been finalised in order to make it much more informative and usable to the policymakers of central banks, finance ministries and other stakeholders.

I express my deep appreciation and gratitude to the SAARCFINANCE Coordinators for their continued support and contribution to the 13h issue of the SAARCFINANCE e-Newsletter.

Fazeel Najeeb (Ph.D.)
Governor and Chairman, Maldives Monetary Authority
Chairperson, SAARCFINANCE Group

OBJECTIVES OF SAARCFINANCE

The basic objective of establishing SAARCFINANCE Network is to share experiences on macroeconomic policy issues between member counties of 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.
- To consider any other matter on the direction/request of the SAARCFINANCE, Council of Ministers or other SAARC bodies.

COUNTRY REPORTS

AFGANISTAN

BANGLADESH

RECENT OVERALL MACROECONOMIC DEVELOPMENTS

Bangladesh achieved overall GDP growth of 6.3% in FY'12

In spite of continued global economic recession in the advanced economies and in the European Zone where the main export destinations of Bangladeshi products are located, Bangladesh economy achieved an impressive overall GDP growth of 6.3% in the fiscal year 2012. Bangladesh's overall GDP growth on an average 6.2% was even higher than the average growth (4.8%) for the developing countries during the last five years. However, during the first half of fiscal year 2012 the economy witnessed significant balance of payments pressures due to high global oil prices and low aid disbursements, forcing significant depreciation of the Taka and spiraling inflation. In order to address these challenges, BB declared a more restrained monetary policy stance encouraging private sector credit growth for productive sector, not speculative purpose, bringing inflation down, and also avoiding asset price bubbles.

In the second half of the fiscal year 2012, external pressures eased due to monetary tightening, lower import demand and pro-active steps to secure alternative sources of external financing. The tight monetary policy stance also continued in the first half of fiscal year 2013 (H1FY'13) and as such the inflationary pressure has been abated in recent months. It may be noted that average inflation, using the 1995/96 base year, has been declining steadily over the last one year, from a peak of 10.96 percent in February 2012 to 8.19 percent in February 2013.

BB declares its monetary policy stance for the 2nd half of FY13

The monetary policy stance for the second half of fiscal year 2013 (H2FY13) takes the recent economic developments into account and targets a monetary growth path which will further curb inflationary pressures, while ensuring adequate private sector credit to stimulate inclusive growth. BB has revised its monetary program with a broad money growth target of 17.7% in June 2013 compared to the H1FY13 target of 16.5%, and a new private sector growth envelope of 18.5% in June 2013 compared with the original program of 18%. BB has created further space in its monetary program in case there is greater lending appetite for productive purposes in H2FY13 and sufficient to accommodate desired output growth.

In 2013, global growth is expected to be 3.6% with the average for developing countries projected at 5.6% and high income countries at 1.5% - a marginal improvement over 2012 and with significant downside risks in key trading partners. The overall credit envelope set by BB in July 2012, as shown by the most recent private sector credit growth data, was more than sufficient to meet the Government's growth target of 7.2% for FY13. However, primarily due to the sluggish global economy various forecasts highlight significant dampening influences on this growth target. BB's forecast suggests that FY13 real GDP growth is unlikely to be less than the previous five years average and may exceed it if global conditions improve.

HIGHLIGHTS ON MAJOR POLICY ANNOUNCEMENTS

BB has reduced its Repo and Reverse Repo rates

Bangladesh Bank (BB) has revised its rate of interest on Repo and Reverse Repo at 7.25% and 5.25% decreased from 7.75% and 5.75% respectively on 31 January, 2013.

Bangladesh Taka appreciates in the 1st half of FY13

Bangladesh Taka witnessed 2.5% appreciation at the end of December 2012 compared to the end of June 2012.

Gross foreign exchange reserves reached a historically record high

The gross foreign exchange reserves of Bangladesh Bank stood at a record high of US dollar 14.25 billion as on 11 March 2013. This is equivalent to five months import coverage.

BB has issued a revised guideline on Stress Testing for NBFIs

As a part of ensuring the soundness and sustainability of the financial industry and making the Banks and Non-Bank Financial Institutions (NBFIs) more shock resilient, BB has revised its guideline for NBFIs. As per the revised guideline, alongside the banks NBFIs also have to carry out Stress Testing on quarterly basis i.e. on March 31, June 30, September 30 and December 31. Each NBFI has been instructed to submit its report within the following month after the end of each quarter.

BB has issued a circular regarding purchase of fixed assets by banks

BB instructed banks not to buy land, building or floor space or arrange lease in 10 years or more period of time for any purpose other than use for head office of respective banks for containing unusual asset price bubbles.

BB gave instructions on online reporting of foreign exchange transactions

BB has taken initiatives to receive online statements through its web portal. As a part of this program, BB has already started monitoring export transactions through online reports submitted by Authorised Dealers (Ads). In addition to export transactions, BB has developed online reporting system for all types of cross border foreign exchange transactions including foreign exchange transactions through inland back to back LC.

BB has amended its circular on providing liquidity support to PDs

As a part of its open market operation policy, BB has amended its instructions for providing liquidity support to Primary Dealers (PDs) for a maximum period of two months at a stretch from the date of issue of treasury bills and bonds devolved on PDs at auctions through devolvement as well as successful bidding.

BB has implemented National Payment Switch Bangladesh (NPSB)

In order to create a common platform for the Cards (Debit/Credit/Prepaid), internet and mobile based payments in the country, BB has implemented NPSB. Therefore, all inter-bank domestic transactions originating from any delivery channel (ATM/POS/Kiosk/Mobile/Internet) will be routed through NPSB with a view to ease the transactions and have smooth payment through online clearing. These will also include the transactions of those banks which do not have their own switch but are using Third Party Processor (Q-cash, Cash Link etc.).

KEY ECONOMIC INDICATORS OF BANGLADESH

	Unit	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13* (July-Dec)
I. Real Sector												
Per Capita GDP	US$	389	441	463	476	487	559	620	687	748	772	844.0^{PJ}
Real GDP Growth	%	5.3	6.3	6.0	6.6	6.4	6.2	5.7	6.1	6.7	6.3	7.2^{PJ}
GDP (Market Price)	Billion US$	51.9	56.5	60.4	62.0	68.4	79.6	89.4	100.4	111.9	115.7	130.5^{PJ}
Agriculture	% of GDP	23.5	23.1	22.3	21.9	21.4	20.7	20.5	20.3	19.9	19.3	-
Industry	% of GDP	27.2	27.7	11.7	12.1	12.5	12.6	12.7	12.7	13.1	13.8	-
Services	% of GDP	49.3	49.2	49.4	49.1	49.2	49.5	49.7	49.8	49.7	49.5	-
Investment	% of GDP	23.4	24.0	24.5	24.7	24.5	24.2	24.4	24.4	25.2	25.4	-
National Savings	% of GDP	18.6	19.5	25.8	27.7	28.7	30.2	29.6	30.0	28.8	29.4	-
Headline Inflation (12 mth avg)	%	4.4	5.8	6.5	7.2	7.2	9.9	6.7	7.3	8.8	10.6	8.7
- Food Inflation	%	3.5	6.9	7.9	7.8	8.1	12.3	7.2	8.5	11.3	10.4	7.4
- Non-Food Inflation	%	5.7	4.3	4.3	6.4	5.9	6.3	5.9	5.5	4.2	11.1	11.4
- Core inflation	%	-	-	-	-	-	-	-	-	-	7.9	7.9
II. Fiscal Sector												
Revenue Collection (CSR)	Billion US$	5.4	6.0	6.4	6.7	7.2	8.8	10.1	11.5	13.4	15.0	7.9
Fiscal Deficit (excluding grants)	% of GDP	4.2	4.2	4.4	3.9	3.7	6.2	4.1	3.7	4.4	4.9	-
Fiscal Deficit (including grants)	% of GDP	3.4	3.4	3.7	3.3	3.2	5.4	3.3	3.3	3.8	4.4	-
Public Debt	% of GDP	3.6	4.6	47.0	46.7	44.8	42.9	41.0	37.1	37.1	37.2	-
- of which foreign debt	% of GDP	2.3	2.4	16.4	16.6	16.6	17.2	17.7	16.9	17.7	19.5	-
- domestic debt	% of GDP	1.3	2.2	30.5	30.1	28.2	25.5	23.3	20.3	19.4	17.5	-
- debt servicing	% of total revenue	11.2	10.0	16.6	16.8	18.5	19.8	19.2	18.4	15.3	15.2	-
III. External Sector												
Exports (f.o.b)	Billion US$	6.5	7.5	8.7	10.4	12.1	14.2	15.6	16.2	22.6	24.0	12.4
Imports (f.o.b.)	Billion US$	8.7	9.8	13.2	13.3	15.5	19.5	20.3	21.4	30.3	32.0	16.1
Trade Deficit	Billion US$	2.2	2.3	4.5	2.9	3.4	5.3	4.7	5.2	7.7	8.0	3.7
Remittances	Billion US$	3.1	3.4	3.8	4.8	6.0	7.9	9.7	11.0	11.7	12.8	7.3
Current Account Balance	Billion US$	0.2	0.2	-0.6	0.8	0.9	0.7	2.4	3.7	.8	1.6	0.8
Current Account Balance	% of GDP	0.4	0.4	-0.9	1.3	1.4	0.9	2.7	3.7	0.7	1.4	-
Total Foreign Investment	Million US$	378	391	800	775	899	795	802	796	740	1193	2286
- Foreign Direct Investment	Million US$	376	385	800	743	793	748	961	913	768	995	1536
- Portfolio Investment	Million US$	2.0	6.0	0.0	32.0	106.0	47.0	-159.0	-117.0	-28.0	198.0	750
External Debt and Forex bilities	Billion US$	17.0	18.0	18.4	18.6	19.4	20.3	20.1	20.3	21.5	22.8	-
External Debt and Liabilities	As % of Forex earnings	-	-	-	-	-	-	-	-	-	-	-
Short-term debt to GDP	%	0.9	1.2	1.2	0.8	1.8	1.2	0.8	0.9	1.2	1.5	-
External Debt Servicing Ratio	%	3.6	3.1	3.6	3.4	3.6	3.8	4.0	4.3	4.2	4.2	-
Exchange Rate	Per US$	57.9	58.9	61.4	67.1	69.0	68.6	68.8	69.2	71.2	79.1	79.8
Foreign Exchange Reserve	Billion US$	2.5	2.7	2.9	3.5	5.1	6.1	7.4	10.8	10.9	10.2	12.8
IV. Monetary & Capital Market												
Growth Rate of M_1	y-o-y	10.9	13.7	17.1	23.4	16.5	22.7	10.3	28.0	18.7	6.6	9.9
Growth Rate of M_2	y-o-y	15.6	13.8	16.7	19.3	17.1	17.6	19.2	22.4	21.3	17.4	19.0
Growth Rate of M_3	y-o-y	-0.3	19.1	24.8	35.0	14.0	-32.5	7.4	21.1	28.7	-5.4	11.2
Weighted Avg Lending Rate	%	12.8	11.0	10.9	12.1	12.8	12.3	11.9	11.3	12.4	13.8	13.9
Credit growth to Private Sector	%	15.3	16.7	16.9	18.1	15.0	25.0	14.6	24.2	25.8	19.7	16.6
Stock Market (Price Index)		830.0	1319.0	1713.2	1339.5	1764.2	2588.0	2520.2	5111.6	5093.2	3877.6	4219.3
Market Capitalisation (as leading k market)	Billion Taka	69.2	142.4	224.6	225.3	491.7	931.0	1241.3	2700.7	2853.9	2491.6	1971.3
Market Capitalisation (as leading k market)	% of GDP	2.3	4.3	6.1	5.4	10.4	17.1	20.2	38.9	35.8	27.2	18.9^{P}
Market Capitalisation (as leading k market)	Billion US$	1.2	2.4	3.7	3.4	7.1	13.6	18.0	39.0	40.1	31.5	24.7
V. Banking Sector Indicators												
Capital adequacy ratio	%	5.4	5.5	5.6	6.7	9.6	10.1	11.6	9.3	9.7	11.3	10.5
Non performing loans	%	14.3	14.0	13.6	13.2	13.2	10.8	9.2	7.3	7.1	7.2	10.0
Profitability (R.O.E)	%	13.0	12.2	12.4	14.1	13.8	15.6	21.7	21.0	15.5	13.5	8.2
Profitability (R.O.A)	%	0.6	0.7	0.6	0.8	0.9	1.2	1.4	1.8	1.3	1.2	0.6

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.PJ=Projection for the whole fiscal year, P=provisional

BHUTAN

RECENT OVERALL MACROECONOMIC DEVELOPMENTS

Bhutan's real GDP growth was recorded at 8.5% in 2011 compared to 11.7% in 2010. Growth was driven mainly by the tertiary and secondary sectors, with shares of 44% and 38% to nominal GDP, respectively. Improved performance in these sectors reflects higher growth in related sub-sectors including hotels, restaurants, transport, storage and communication, and construction. Growth in the primary sector (including agriculture, livestock and forestry) continued to remain low during 2011.

In the financial sector, the growth in broad money (M2) decreased during the quarter ending June 2012 recording negative 1% from 21.2% during the same quarter last year. Growth in the total credit of the financial institutions (one of the key drivers of developments in the external trade sector through imports) grew by 12.4% (to Nu.53.4 billion) during the quarter ending December 2012. Of this, 27.4% were invested in building and construction, followed by personal loans (16.8%), manufacturing sector (14.6%), service and tourism (11.9%), with the remainder invested in other sectors of the economy. On the other hand, the inflation rate (measured by the year-to-year change of the consumer price index) was recorded at 9.5% during the quarter ending December 2012 against 8.5% of same quarter of previous year.

On the fiscal front, the revised budget estimates for the FY 2011/12 stood at Nu.37.1 billion, higher by Nu.7.3 billion as compared to the 2010/11 actual budget outlay. This increase was mainly due to a surge in both capital and current expenditures. The overall budget deficit is estimated at Nu.3.7 billion against a deficit of Nu.1.7 billion in the previous year.

On the external front, Bhutan's current account deficit widened to 20.5% of GDP in FY 2011/12 compared to 25.7% of GDP in FY 2010/11. The trade deficit, especially with India, narrowed slightly this fiscal year while grant inflows for budgetary support from countries other than India decreased. The net surplus in the capital and financial account also declined during the fiscal year owing to reduced inflows of hydropower grants and a fall in convertible currency loan disbursements. As a result, the overall balance was negative at Nu.5.5 billion. Consequently, Bhutan's gross international reserves at the end of the FY, i.e. as of June 2012, fell to USD 770 million from USD 906 million as of June 2011.

Meanwhile, the country's total outstanding external debt in December 2012 was recorded at USD 1,607.5 million against USD 1,358.1 million as of June 2012, an increased by 19%. Of the total USD 1,607.5 million, ₹ 55.2 billion (USD 1.0 billion equivalent) were Indian Rupee debt and USD 601.6 million were outstanding convertible currency debt.

The Government of India remains Bhutan's leading creditor with an outstanding debt of ₹ 46.7 billion or an equivalent of USD 829.8 million as of June 2012, followed by the ADB at USD 247.1 million.

HIGHLIGHTS OF MAJOR POLICY ANNOUNCEMENTS

During the year 2012-2013, the central bank, the Royal Monetary Authority (RMA), undertook the following key policy measures:

The RMA enhanced monetary policy transmission through the introduction of new policy tools, including the base rate system and the policy rate.

Demand side management of pressure on Rupee reserves was carried out through controls on new housing and transport loans by temporarily suspending access to Indian Rupees for related imports (and the issuance of streamlined Indian Rupee Guidelines).

Regulatory/prudential measures included tightening in asset classification and provisioning requirements and raising of prudential risk weights of financial institutions to reduce credit exposure of financial institutions to over-exposed sectors exceeding 20% of total loans and advances.

The RMA revised the CRR from 17% to 10% in March 2012 and from 10% further to 5% (May 2012) to ease liquidity constraints.

Similarly, the gestation period for construction and manufacturing sector related lending was revised to ease liquidity stress on commercial banks.

And the RMA introduced the Short Term Liquidity Adjustment Window Facility (May 2012) to provide short-term liquidity to liquidity deficient banks to meet daily operational requirements and short term outstanding liabilities.

KEY ECONOMIC INDICATORS OF BHUTAN

	Unit	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13*
I. Real Sector												
Per Capita GDP(a)	**US$**	940.62	1082.2	1214.2	1366.4	1387.4	1814.9	1874.5	1851.	2277.8	2590.	2782.9(
Real GDP Growth (a)	**%**	10.76	3.98	7.96	8.78	6.85	17.93	4.67	6.7 3	11.68	8.51	7.64(P)
GDP (MP)(a)	**Billion US$**	0.49	0.56	0.60	0.65	0.70	0.90	0.80	0.87	1.00	0.98	0.97
Agriculture(a)	**% of GDP**	25.52	24.39	23.98	22.34	21.41	18.67	18.42	18.23	16.80	15.73	15.27(P
Industry(a)	**% of GDP**	37.40	38.11	36.31	35.93	37.70	44.05	43.17	41.97	42.78	40.68	40.36(P
Services(a)	**% of GDP**	33.96	34.32	35.91	38.08	37.60	34.36	35.47	37.02	36.43	39.01	37.83P)
Investment(a)	**% of GDP**	59.96	56.78	61.95	51.22	47.95	37.70	41.39	43.03	52.09	61.01	59.2(P)
National Savings(a)	**% of GDP**	34.40	44.21	43.12	37.10	57.59	45.47	41.21	35.56	41.53	46.14	17.56(P
Headline Inflation	**%**	1.85	-	5.46	6.17	5.94	8.85	2.96	6.14	8.33	13.53	9.54
/';- Food Inflation	**%**	1.43	-	6.23	6.76	9.50	12.32	6.67	6.90	10.56	18.72	11.80
- Non-Food	**%**	2.00	-	5.13	5.90	4.31	7.19	1.11	5.73	7.12	10.67	8.30
- Core inflation	**%**	-	-	-	-	-	-	-	-	-	-	-
II. Fiscal Sector												
Revenue Collection	**Billion US$**	0.10	0.13	0.14	0.16	0.23	0.31	0.35	0.43	0.39	0.40	0.39(P)
Fiscal Deficit	**% of GDP**	-19.85	-16.82	-21.63	-18.67	-14.05	-11.19	-10.02	-	-16.78	-	-
Fiscal Deficit	**% of GDP**	-11.12	2.04	-7.65	-0.88	0.71	0.82	2.00	1.80	-2.30	-4.38	-
Public Debt	**% of GDP**	86.93	94.79	100.38	93.44	76.28	61.94	66.73	61.2	73.34	80.42	-
- of which	**% of GDP**	85.97	95.67	94.72	94.48	76.72	62.30	66.50	63.1	71.42	80.63	-
- domestic debt	**% of GDP**	0.010	-0.009	0.057	-0.010	-0.004	-0.004	0.002	-	0.019	-	-
- debt servicing	**% of total**	5.38	3.72	7.42	6.67	6.30	26.31	35.61	27.4	62.10	137.8	-
III. External Sector												
Exports (f.o.b)	**Billion US$**	0.113	0.158	0.212	0.312	0.573	0.599	0.516	0.5	0.665	0.595	0.573(P
Imports (f.o.b.)	**Billion US$**	0.206	0.263	0.461	0.435	0.527	0.671	0.607	0.8	1.185	1.072	1.170(P
Trade Deficit	**Billion US$**	-0.09	-0.11	-0.25	-0.12	0.47	-0.08	-0.09	-	-0.52	-0.46	-
Remittances	**Billion US$**	-	0.0007	0.0014	0.0015	0.0015	0.0015	0.0028	0.0	0.0045	0.011	0.0083
Current Account	**Billion US$**	-0.14	-0.12	-0.24	-0.04	0.15	-0.03	-0.01	-	-0.41	-0.35	-
Current Account	**% of GDP**	-15.3	-11.3	-32.4	-4.7	15.8	-2.2	-1.2	-	-25.7	-20.5	-
Total Foreign	**Million US$**	2.46	3.46	8.99	6.12	73.99	3.10	6.54	18.	26.06	89.31	-
- Foreign Direct	**Million US$**	2.46	3.46	8.99	6.12	73.99	3.10	6.54	18.	26.06	89.31	-
- Portfolio	**Million US$**	-	-	-	-	-	-	-	-	-	-	-
External Debt and	**Billion US$**	0.47	0.61	0.67	0.78	0.72	0.82	0.80	0.8	1.3	1.4	-
External Debt and	**% of forex**	324.4	313.1	251.4	204.2	109.1	119.2	134.8	13	170.2	196	-
Short-term debt to	**%**	-	-	-	-	-	3.3	1.7	2.5	6.8	6.0	-
External Debt	*******	7.28	7.20	12.20	7.91	3.68	18.27	30.51	29.	51.7	131.2	-
Exchange Rate	**Per US$**	47.93	45.41	44.61	44.74	44.19	40.37	47.78	46.	45.33	50.27	-
Foreign Exchange	**Billion US$**	0.373	0.383	0.363	0.486	0. 608	0.589	0.704	0.7	0.906	0.770	0.897(
IV. Monetary & Capital												
Growth Rate of M_1	y-o-y	44.77	(5.23)	18.97	11.37	39.95	39.34	(7.18)		28.38	14.31	0.29
Growth Rate of M_2	y-o-y	28.45	(0.21)	19.89	11.87	32.86	12. 22	13.37	39	16.53	4.14	5.75
Growth Rate of M_2	y-o-y	-	-	-	-	-	-	-	-	-	-	-
Weighted Avg	**%**	-	-	-	-	-	-	-	-	-	-	-
Credit growth to	**%**	29.80	27.58	28.42	30.45	35.89	31.72	39.64	21.	51.35	31.31	11.57
Stock Market (Price	**1991=100**	-	-	-	-	-	-	-	-	-	-	-
Market Capitalization	**Domestic**	3.44	3.53	4.30	4.47	4.64	5.03	7.37	8.0	10.01	14.38	17.63
Market Capitalization	**% of GDP**	14.0	12.4	14.0	12.4	11.4	10.17	13.47	13.	13.81	16.80	18.19
Market Capitalization	**Billion US$**	0.07	0.08	0.10	0.10	0.11	0.13	0.15	0.1	0.22	0.29	0.32
V. Banking Sector												
Capital adequacy	**%**	-	-	17.72	20.81	17.05	16.12	14.94	14.	15.90	17.89	18.29
Non performing	**%**	-	-	-	6.57	4.92	4.91	7.53	6.8	5.20	3.92	5.44
Profitability	**%**	-	-	14.19	15.02	18.37	18.31	17.08	22.	15.72	16.10	17.21
Profitability	**%**	-	-	1.30	1.42	1.58	1.54	1.50	1.8	1.58	2.24	2.55

Note: 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.* 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).Note: (a) on a calendar year basis, example, the entry under 2002/03 is for 2002

INDIA

RECENT OVERALL MACROECONOMIC DEVELOPMENTS

Growth Outlook

Year-on-year (y-o-y) real GDP growth slowed from 5.5 per cent in Q1 of 2012-13 to 5.3 per cent in Q2, which further decelerated to 4.5 per cent in Q3. This growth of 4.5 per cent was the weakest in the last 15 quarters. The decline in the GDP growth rate became broad-based, with consumption demand also slowing alongside stalling investment and declining exports. What is worrisome is that the services sector growth, hitherto the mainstay of overall growth, has also decelerated to its slowest pace in a decade. Thus GDP growth has slowed to an estimated 5 per cent in 2012-13 due to a combination of both external and domestic factors.

Measures to boost growth

Economic slowdown, however, may be bottoming out on the back of a slew of measures announced by Government of India, particularly since September last year, including liberalisation of FDI in retail, aviation, broadcasting and insurance, deferment of general anti-avoidance rules (GAAR), reduction in withholding tax on overseas borrowings by domestic companies and setting up of the Cabinet Committee on Investment (CCI). These measures were supplemented by the Union Budget giving priority to a more socially inclusive economic growth and further reforms. It also put the fiscal consolidation process back on track by achieving a greater-than-budgeted reduction in the gross fiscal deficit to 5.2 per cent which is expected to reduce further to 4.8 per cent in 2013-14. The India growth story is still credible and the long term growth drivers like a rich demographic dividend, a high savings and investment ratio, rapid urbanisation, rising income levels, and a dynamic corporate and financial sector are still intact.

Inflation Outlook

Headline WPI inflation, which stayed high since 2010, remained sticky, at above 7.5 per cent on a y-o-y basis, through the Q1 and Q2 of 2012-13 owing to the increase in fuel prices and elevated price levels of non-food manufactured products. However, the WPI inflation eased from 8.1 per cent in September 2012 to 7.2 per cent by December 2012, on account of deceleration in inflation in non-food manufactured products.

External Sector Outlook

India's current account deficit (CAD), which had been growing in the recent past, had further widened from 5.4 per cent in Q2 (July-September 2012) to a record high of 6.7 per cent of GDP in Q3 (October-December 2012), driven mainly by larger trade deficit. On a BoP basis, merchandise exports did not show any significant growth in Q3 of 2012-13 as compared with a 7.6 per cent growth in Q3 of 2011-12. Merchandise imports, on the contrary, registered a growth of 9.4 per cent, spurred largely by oil and gold imports. However, capital flows, though volatile, were broadly enough to finance CAD aided by measures taken by the Government of India and the Reserve Bank to boost exports and facilitate capital inflows. Despite the policy initiatives taken by the authorities, export revival is contingent on economic recovery in advanced economies. It is imperative to lower the CAD to a sustainable level of 2.5 to 2.8 per cent, while ensuring, in the interim, its prudent financing. The balance of payments position is expected to improve in the year ahead on the back of higher world output and trade growth in 2013.

Money and Credit Developments

During July-October 2012, bank deposit growth has decelerated with the moderation in interest rates. Credit growth has also ebbed with the slowdown in investment demand, especially with regard to infrastructure, and lower absorption of credit by industry, in general. Y-o-y money supply (M_3) growth fell to 12.9 per cent by mid-January 2013, and remained below the indicative trajectory of 14.0 per cent. This essentially reflected the deceleration of growth in aggregate deposits and moderation in economic activity. Y-o-y non-food credit growth, at 16.2 per cent, was around the indicative trajectory of 16 per cent. However, bank credit to industry showed a significant deceleration while credit to agriculture registered an increase.

HIGHLIGHTS ON MAJOR POLICY ANNOUNCEMENTS

In response to the high inflation, the Reserve Bank of India (RBI) started raising policy rates in March 2010. The tight money regime continued till April 2012, when the monetary policy stance has sought to balance the growth–inflation dynamic through calibrated easing.

The stance of monetary policy (in the Second Quarter Review announced on October 30, 2012) was intended to (i) manage liquidity to ensure adequate flow of credit to the productive sectors of the economy; (ii) reinforce the positive impact of government policy actions on growth as inflation risks moderate; and (iii) maintain an interest rate environment to contain inflation and anchor inflation expectations.

On the basis of assessment of risks and prospects and in line with the above policy stance, the Reserve Bank decided to (i) reduce the cash reserve ratio (CRR) of scheduled banks by 25 basis points from 4.5 per cent to 4.25 per cent of their net demand and time liabilities (NDTL) effective the fortnight beginning November 3, 2012. The policy repo rate under the liquidity adjustment facility (LAF) has been retained at 8.0 per cent. The reverse repo rate under the LAF, determined with a spread of 100 basis points below the repo rate, stood at 7.0 per cent. The Marginal Standing Facility (MSF) rate, determined with a spread of 100 basis points above the repo rate, stood at 9.0 per cent. Bank Rate was retained at 9.0 per cent. In the Mid-Quarter Review announced on December 18, 2012, Reserve Bank decided to retain the policy rates at their October 30, 2012 levels.

KEY ECONOMIC INDICATORS OF INDIA

	Unit	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13*
Real Sector												
Per Capita GDP	**US$**											
Real GDP Growth	**%**	4.0	8.1	7.0	9.5	9.6	9.3	6.7	8.6	9.3	6.2	5.0
GDP (MP)	**Billion US$**	507.0	599.0	701.0	810.0	912.0	1174.0	1227.0				
Agriculture	**% of GDP**	-6.6	9.0	0.2	5.1	4.2	5.8	0.1	0.8	7.9	3.6	1.8
Industry	**% of GDP**	6.9	5.6	7.5	8.5	12.9	9.2	4.1	10.2	8.7	2.7	2.0
Services	**% of GDP**	7.1	8.6	9.1	11.1	10.1	10.3	9.4	10.0	9.8	7.9	6.5
Investment	**% of GDP**	25.4	27.3	32.8	34.9	36.2	39.0	35.6	38.4	40.0	37.9	
National Savings	**% of GDP**	25.9	29.0	32.4	33.4	34.6	36.8	32.0	33.7	34.0	30.8	
Headline Inflation	**%**	3.4	5.5	6.5	4.4	6.6	4.7	8.1	3.8	9.6	8.8	
- Food Inflation	**%**	3.1	4.3	3.6	3.3	7.9	5.6	8.9	14.6	11.1	7.2	
- Non-Food Inflation	**%**	3.5	5.9	7.6	4.8	6.2	4.5	7.8	0.2	9.0	9.4	
- Core inflation	**%**	2.8	5.7	6.6	3.0	6.1	5.7	6.8	0.9	8.1	8.3	
II. Fiscal Sector												
Revenue Collection (CSR)	**Billion Rs.**	2308.3	2638.1	3059.9	3470.8	4343.9	5418.6	5402.6	5728.1	7884.7	7514.4	8718.3
Fiscal Deficit (excluding grants)	**% of GDP**											
Fiscal Deficit (including grants)	**% of GDP**	5.7	4.3	3.9	4.0	3.3	2.5	6.0	6.5	4.9	5.9	5.1
Public Debt	**% of GDP**	42.7	41.9	41.2	40.2	38.4	38.5	38.1	38.0	36.2	37.7	39.0
- of which foreign currency	**% of GDP**											
- domestic debt	**% of GDP**	59.3	59.6	59.6	58.6	56.7	54.6	53.9	52.4	48.5	47.9	48.5
- debt servicing	**% of total Revenue**	51.0	47.0	41.5	38.2	34.6	31.6	35.6	37.2	29.7	36.4	36.3
III. External Sector												
Exports (f.o.b)	**Billion US$**	52.7	63.8	83.5	103.1	126.4	163.1	185.3	178.8	251.1	304.6	
Imports (f.o.b.)	**Billion US$**	61.4	78.1	111.5	149.2	185.7	251.7	303.7	288.4	369.8	489.3	
Trade Deficit	**Billion US$**	-8.7	-14.3	-28.0	-46.1	-59.3	-88.5	-118.4	-109.6	-118.6	-184.8	
Remittances	**Billion US$**	16.8	22.2	20.8	24.7	30.1	41.9	44.8				
Current Account Balance	**Billion US$**	6.3	14.1	-2.5	-9.9	-9.6	-15.7	-27.9	-38.2	-45.9	-78.2	
Current Account Balance	**% of GDP**	1.2	2.3	-0.4	-1.2	-1.0	-1.3	-2.3	-2.8	-2.7	-4.2	
Total Foreign Investment	**Million US$**	4101.0	13765.0	13003.0	15525.0	14640.0	43325.0	8311.0	50361.0	41597.0	39177.0	
- Foreign Direct Investment	**Million US$**	3157.0	2388.0	3712.0	3033.0	7693.0	15891.0	22343.0	17965.0	11305.0	22006.0	
- Portfolio Investment	**Million US$**	944.0	11377.0	9291.0	12492.0	6947.0	27434.0	-14032.0	32396.0	30292.0	17171.0	
External Debt and Forex Liabilities	**Billion US$**	104.9	112.6	134.0	139.1	172.4	224.4	224.5	260.9	305.9	345.8	
External Debt and Forex Liabilities	**% of forex earnings**	72.5	100.3	105.6	109.0	115.6	138.0	112.1				
Short-term debt to GDP	**%**	0.9	0.7	2.4	2.4	2.9	3.7	3.9				
External Debt Servicing Ratio (pl see footnote)	***											
Exchange Rate	**Per US$**	48.4	46.0	44.9	44.3	45.3	40.3	46.0	47.4	45.6	47.9	
Foreign Exchange Reserves	**Billion US$**	76.1	113.0	141.5	151.6	199.2	309.7	252.0	279.1	304.8	294.4	
IV. Monetary & Capital Market												
Growth Rate of M_1	y-o-y	12	22.2	12.3	20.7	17.1	19.4	9.0	18.2	10.0	5.9	
Growth Rate of M_2	y-o-y											
Growth Rate of M_3	y-o-y	14.7	16.7	12.0	16.9	21.7	21.4	19.3	16.9	16.1	13.1	
Weighted Avg Lending Rate	**%**	13.3	13.2	12.6	12.0	11.9	12.3	11.5	10.5	11.4		
Credit growth to Private Sector	**%**	16.7	21.4	33.7	34.6	35.3	15.8	15.2	21.6	27.6		
Stock Market (Price Index)	**1991=100**	261.0	478.7	555.9	965.8	1119.2	1339.5	831.2	1500.7	1664.9		
Market Capitalisation (as leading stock mkt)	**Domestic Currency in Billion**	5722.0	12012.1	16984.3	30221.9	35450.4	51380.1	30860.8	61656.2	68390.8		
Market Capitalisation (as leading stock mkt)	**% of GDP**											
Market Capitalisation (as leading stock mkt)	**Billion US$**	118.2	261.6	377.9	682.5	782.8	1276.8	672.1	1300.3	1500.6		
V. Banking Sector Indicators												
Capital adequacy ratio	**%**	12.7	12.9	12.8	12.3	12.3	13.0	13.2	13.6	13.0	12.9	
Non performing loans	**%**	9.5	7.4	5.2	3.5	2.6	2.4	2.5	2.5	2.4	2.9	
Profitability (R.O.E.)	**%**											
Profitability (R.O.A.)	**%**	1.1	1.3	1.0	1.0	1.0	1.1	1.1	1.0	1.1	1.1	

MALDIVES

RECENT OVERALL MACROECONOMIC DEVELOPMENTS

The real GDP growth slowed to 3.4% in 2012 from around 7% in the preceding two years, reflecting a weaker than expected performance of the tourism sector. The tourism sector which accounts for almost one-third of the national output continued to be adversely affected by the uncertain economic conditions in Eurozone given that Europe accounts for more than 50% of total tourist arrivals to the Maldives. Due to the recovery in fish catch, the performance of the fisheries sector was more favourable during 2012 which resulted in improved fish exports. Meanwhile, the growth of the construction sector slowed in 2012 as indicated by construction related imports. The slowdown in the pace of construction sector growth could be partly attributable to the significant reduction in government spending on infrastructure development during the year.

With regard to developments in inflation, after having remained elevated in the first half of the year, the rate of inflation, as measured by the annual percentage change in the consumer price index (CPI) for Male' slowed towards the end of 2012. The easing of inflation largely reflects the waning of the one-off impact of the devaluation of the Maldivian rufiyaa in April 2011 which caused inflation to surge early during the year.

On the monetary front, broad money growth slowed down when compared to 2011 while domestic credit declined owing to the continued fall in credit to the private sector. The deterioration in credit to private sector reflects the slow economic growth and deterioration in asset quality of domestic banking system.

With regard to fiscal developments, the revised government budget estimates of November 2012 showed that the overall fiscal deficit widened in 2012 reflecting a larger increase in expenditure concurrent with a small decline in revenue. During the year, the budget deficit was mostly financed through domestic sources, mainly through the issuance of T-bills.

As for the developments in the external sector, the balance of payments position further weakened in 2012 due to the worsening of the current account deficit. The decline in current account deficit was largely contributed by the deterioration in the trade deficit.

Meanwhile, despite the estimated improvement in net financial inflows to the country, the overall balance of payments remained negative in 2012 as well, resulting in a drawdown of gross internal reserves. The decline in reserves was further exacerbated by the large debt repayments made by the government towards the end of the year.

With regard to the exchange rate, the Maldivian rufiyaa remains pegged to the US dollar between a band of 20% on either side of a central parity of MVR12.85 per US dollar. Since the adoption of the exchange rate band on 11th April 2011, the rufiyaa has moved to the upper end of this band, with the MMA reference rate standing at MVR15.37 per US dollar at the end of 2012.

HIGHLIGHTS ON MAJOR POLICY ANNOUNCEMENTS

In 2012, monetary policy framework remained broadly unchanged. The ultimate objective of monetary policy is attaining price stability and preserving a sustainable level of foreign exchange reserves. Accordingly, the reserve money (M0) is used as the operational target while the exchange rate peg against the US dollar acts as the intermediate target. The policy instruments employed to conduct the monetary policy operations are the Minimum Reserve Requirement (MRR), Open Market Operations (OMOs), MMA standing facilities: Overnight Lombard Facility (OLF), Overnight Deposit Facility (ODF) and foreign exchange SWAP facility.

To achieve exchange rate stability, MMA continued its monetary operations to withdraw excess liquidity in the banking system despite temporary suspensions in the OMOs during some weeks of 2012. The temporary suspensions were necessitated by the tight financing conditions faced by the government. During 2012, the key indicative policy rate which was introduced in May 2011 remained unchanged at 7% per annum while the weighted average interest rate (WAIR) of reverse repo increased to 7% per annum in Q1-2012. Nonetheless, the interest rates pertaining to the MMA standing facilities remained unchanged. As such ODF and OLF stood at 0.25% and 16% per annum, respectively. In the middle of 2012 MMA re-introduced the foreign exchange swap with some alterations to its terms and conditions. The facility aims to provide short term US dollar liquidity for commercial banks in order to address banks' foreign exchange liquidity shortages, particularly during the low season of the tourism sector. Although the facility was readily available to all commercial banks, none of the banks utilised the facility during the year.

With regard to MRR, it has remained at 25% for both local currency and foreign currency deposits of the commercial banks since 2006. Similarly, MMA continued its policy on maintenance period for MRR, whereby all banks are required to maintain its MRR balances for a two week period. As for the remuneration rate, it remained constant for both rufiyaa and foreign currency MRR balances at 1% and 0.01% per annum, respectively.

KEY ECONOMIC INDICATORS OF MALDIVES

	Unit	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13*
I. Real Sector												
Per Capita GDP	**US$**	2661.3	2979.2	3280.4	2931.2	3678.0	4112.6	4845.2	5157.6	5422.3	5246.7	5272.6
Real GDP Growth	**%**	6.1	14.2	12.5	-8.7	19.6	10.6	12.2	-3.6	7.1	7.0	3.4
GDP (MP)	**Million US$**	828.2	949.9	1075.6	992.5	1303.4	1542.0	1891.6	1984.6	2134.1	2132.0	2214.5
Agriculture/[1]	**% of GDP**	6.6	6.0	5.4	6.3	5.5	4.4	3.8	3.8	3.5	3.3	3.4
Industry/[1]	**% of GDP**	13.7	13.8	16.1	19.5	17.9	19.9	19.4	14.9	14.5	15.5	17.1
Services/[1]	**% of GDP**	81.8	82.3	80.4	75.9	78.1	77.1	78.0	82.3	83.0	82.2	80.6
Investment	**% of GDP**	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
Headline Inflation/[2]	**%**	0.05	-2.83	0.96	1.78	3.99	8.89	8.94	5.41	6.94	16.66	5.43
- Food Inflation/[2]	**%**	-10.07	-3.79	24.92	5.74	5.93	21.80	9.46	0.78	14.32	23.87	12.03
- Non-Food Inflation/[3]	**%**	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
- Core inflation	**%**	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
II. Fiscal Sector												
Revenue Collection (CSR)/[4]	**Million US$**	212.1	241.2	267.6	360.4	480.8	591.5	582.5	448.0	511.5	642.7	639.9
Fiscal Deficit (excluding grants)	**% of GDP**	-5.0	-3.5	-1.7	-14.7	-10.0	-8.9	-13.4	-22.2	-16.2	-9.8	-14.0
Fiscal Deficit (including grants)	**% of GDP**	-3.8	-2.5	-1.1	-8.2	-4.8	-3.6	-11.2	-20.5	-15.6	-7.5	-12.6
Public Debt/[5]	**% of GDP**	36.4	33.6	31.1	39.8	35.8	35.8	36.4	NA	NA	NA	NA
- of which foreign currency(debt)	**% of GDP**	20.8	21.6	22.0	25.7	22.8	22.8	21.3	NA	NA	NA	NA
- domestic debt	**% of GDP**	15.6	12.0	9.1	14.1	13.0	13.0	15.1	NA	NA	NA	NA
- debt servicing	**% of total revenue**	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
III. External Sector												
Exports (f.o.b)/[6]	**Million US$**	133.5	151.9	180.8	161.8	224.2	227.5	331.4	169.0	197.5	346.4	314.4
Imports (f.o.b.)/[6]	**Million US$**	343.4	412.7	562.6	682.6	849.2	999.1	1271.8	877.7	999.3	1353.4	1436.4
Trade Deficit	**Million US$**	-209.8	-260.8	-381.8	-520.8	-624.9	-771.6	-940.4	-708.7	-801.8	-1007.0	-1122.0
Remittances/[7]	**Million US$**	NA	NA	NA	NA	NA	-188.4	-218.3	-189.7	-188.9	-216.5	-253.1
Current Account Balance/[8]	**Million US$**	NA	NA	NA	NA	NA	-227.5	-611.7	-220.8	-196.1	-436.8	-600.5
Current Account Balance	**% of GDP**	NA	NA	NA	NA	NA	-14.8	-32.3	-11.1	-9.2	-20.5	-27.1
Total Foreign Investment	**Million US$**											
- Foreign Direct Investment/[9]	**Million US$**	NA	NA	NA	NA	NA	132.4	181.3	158.0	216.5	256.5	284.0
- Portfolio Investment/[9]	**Million US$**	NA	NA	NA	NA	NA	3.3	11.4	-12.0	-12.2	0.1	0.1
External Debt and Forex Liabilities/[10]	**Million US$**	251.7	279.2	315.7	379.3	557.6	828.3	878.7	933.7	961.7	959.1	846.2
External Debt and Forex Liabilities	**% of forex earnings**	NA	NA	NA	NA	NA	45.9	44.6	54.5	47.9	40.8	36.1
Short-term debt to GDP	**%**											
External Debt Servicing Ratio (pl see footnote)/[11]	***	NA	NA	NA	NA	NA	2.2	2.6	2.9	2.5	2.8	3.4
Exchange Rate	**Per US$**	12.8	12.8	12.8	12.8	12.8	12.8	12.8	12.8	12.8	15.4	15.4
Foreign Exchange Reserves	**Million US$**	133.1	159.5	203.6	186.4	231.6	308.4	240.6	261.0	350.2	334.9	304.6
IV. Monetary & Capital Market												
Growth Rate of M_1/[12]	y-o-y	14.3	11.5	19.7	22.5	22.2	20.0	37.1	22.3	1.1	8.7	3.0
Growth Rate of M_2/[13]	y-o-y	21.6	17.2	31.4	10.6	18.9	24.1	21.8	14.4	14.6	20.0	5.0
Growth Rate of M_3/[14]	y-o-y											
Weighted Avg Lending Rate/[15]	**%**	NA	NA	NA	NA	NA	NA	NA	NA	10.4	10.2	10.5
Credit growth to Private Sector	**%**	15.1	6.9	58.1	59.6	48.6	49.4	29.7	-4.1	-2.3	5.9	-9.1
Stock Market (Price Index)/[16]	**2002=100**	122.0	154.4	239.6	199.8	137.6	342.7	287.1	229.6	211.2	157.4	149.7
Market Capitalisation (as leading stock mkt)	**Domestic Currency in million**	NA	NA	NA	1113.25	766.82	11450.16	2246.08	1862.01	1726.06	1286.89	7528.13
Market Capitalisation (as leading stock mkt)	**% of GDP**	NA	NA	NA	8.76	4.60	58.01	9.28	7.33	6.32	4.09	22.05
Market Capitalisation (as leading stock mkt)	**million US$**	NA	NA	NA	86.97	59.91	894.54	175.48	145.47	134.85	83.51	489.95
V. Banking Sector Indicators (information provided are annual figures)												
Capital adequacy ratio	**%**	24.59%	19.81%	16.73%	17.21%	17.47%	20.97%	24.71%	28.85%	28.17%	35.74%	36.10%
Non performing loans	**%**	10.26%	6.37%	6.59%	2.36%	1.59%	8.90%	12.84%	17.02%	19.37%	20.87%	19.00%
Profitability (R.O.E.)	**%**	30.60%	37.00%	40.80%	53.50%	30.75%	19.04%	25.11%	15.59%	14.74%	13.18%	49.96%
Profitability (R.O.A.)	**%**	3.70%	4.50%	4.80%	6.40%	4.09%	3.13%	3.51%	2.66%	2.56%	2.45%	10.23%

Note: This format is adopted on recommendations of the SAARCFINANCE meeting on Improvement of SAARCFINANCE e- Newsletter.

* 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)

In real sector GDP by sectors as a % of GDP, agriculture refer to primary sector, industry refer to secondary sector and services refer to tertiary sector

1. Maldives Male' series End of period is taken for Headline Inflation and Food Inflation

2. 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.

3. Revenue collection (CSR) is the total revenue including grants

4. Public Debt refers to Public and publicly guaranteed (medium and long term)debt of Total external debt outstanding and disbursed

5. Source: Maldives Customs Service

6. Worker's Remittances outflow

7. As part of MMA's efforts to improve the coverage of the balance of payments statistics, the methodology and assumptions of BOP data from 2007 onwards have been revised. This new series is therefore not comparable with BOP data published prior to November 2012.

8. Annual Flows Government and Commercial Banks' External Debt stock

9. Debt service (Principle and Interest Payment) divided by Export of Goods and Services (XGS)

10. This refers to the narrow money

11. This refers to the broad money or total liquidity

12. M3 is not calculated in Maldives

13. This refers to the Weighted average lending rate to the private sector in national currency which is available from 2010 onwards

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

NA refers to not available

NEPAL

RECENT OVERALL MACROECONOMIC DEVELOPMENTS

Real Sector

Based on the economic data for the first six months of the current fiscal year the economy is estimated to grow at 3.56 percent in 2012/13. While the growth of agricultural sector is estimated at 1.3 percent, the growth of industrial sector and service sector are estimated at 1.6 percent and 6.03 percent respectively.

Price Situation

The y-o-y CPI inflation increased by 9.8 percent in mid-January 2013 compared to 6.8 percent a year ago. The index of food and beverage group increased by 9.6 percent whereas non-food and services group increased by 10.2 percent during mid-December-mid-January 2013. These indices had increased by 4.0 percent and 9.0 percent respectively in the corresponding month of the previous year.

Fiscal Situation

During the first six months of 2012/13, government budget surplus surged to Rs. 40.44 billion (USD 461.1 million) from Rs. 24.04 billion (USD 284.63 million) in the corresponding period of the previous year. A higher rate of growth in resource mobilisation relative to government expenditure led to a surge in the budget surplus during the review period.

During the review period, total government spending decreased by 5.4 percent in contrast to an increase of 40.1 percent in the corresponding period of the previous year. Government revenue grew, on the other hand, increased by 21.2 percent compared to a rise of 21.6 percent in the corresponding period of the previous year.

External Sector Situation

Merchandise exports went up by 9.3 percent during six months of 2012/13. Such exports had increased by 11.2 percent during the same period of the previous year. In the same period merchandise imports surged by 25.2 percent compared to a rise of 16.8 percent during the corresponding period of the previous year.

Due to high growth of imports, the ratio of export to import declined to 14.5 percent in the review period from 16.6 percent a year ago.

The overall BOP recorded a surplus of Rs. 6.1 billion (USD 69.5 million) during six months of 2012/13 compared to a surplus of Rs. 66.7 billion (USD 789.95 million) during the same period of the previous year. The current account posted a surplus of Rs. 4.4 billion (USD 50.17 million) in the review period compared to a surplus of Rs. 32.0 billion (USD 377.7 million) in the same period of the previous year.

The gross foreign exchange reserves increased by 2.6 percent to Rs. 450.8 billion (USD 5.1 billion) in mid-January 2013 from a level of Rs. 439.46 billion (USD USD 5.2 billion) as at mid-July 2012. On the basis of trend of import during the first six months of the current fiscal year, the current level of reserves is sufficient for financing merchandise imports of 10.2 months and merchandise and service imports of 8.7 months.

Monetary Situation

Broad money supply (M2) increased by 4.8 percent during six months of 2012/13 compared to an increase of 10.2 percent in the corresponding period of the previous year. Narrow money supply (M1) decreased by 0.3 percent during the review period in contrast to a 2.6 percent increase in the corresponding period of the previous year.

Net foreign assets (after adjusting foreign exchange valuation gain/loss) increased by 1.6 percent during the review period compared to an increase of 30.9 percent in the corresponding period of the previous year. A significant rise in imports, relatively lower growth in remittance and a fall in capital as well as current transfer led to a slower growth in net foreign assets of the monetary sector during the review period.

Domestic credit increased by 6.1 percent during six months of 2012/13. It had increased by 1.0 percent in the corresponding period of the previous year. Domestic credit grew on the back of accelerated growth in claims on private sector during the review period.

Interest Rate Structure

The weighted monthly average 91-day Treasury bill rate increased to 1.52 percent in mid-January 2013 compared to 0.70 percent in mid-January 2012. The weighted average inter-bank rate between commercial banks remained at 0.71 percent in mid-January 2013 compared to 0.90 percent in mid-January 2012, whereas the weighted average inter-bank rate between other financial institutions remained at 4.13 percent in mid-January 2013 compared to 9.96 percent in the mid-January 2012.

HIGHLIGHTS OF MAJOR POLICY ANNOUNCEMENTS

Nepali monetary policy for 2012-13 has adopted cautious and balanced policy stance and has vowed to remain vigilant on possible inflationary pressure from expansionary monetary policy and contraction in economic growth from contractionary monetary policy.

Monetary policy is focused on qualitative improvement in balance sheet and governance of Bank and Financial Institutions (BFIs) through necessary revision and effective implementation of macro prudential regulation along with early warning system, prompt corrective action, risk based supervision, stress testing, and contingency planning.

In the context of fixed exchange rate of Nepalese rupees with Indian currency, exchange rate has been taken as intermediate target to achieve monetary policy objectives.

The monetary policy has set the target of attaining economic growth of 5.5 percent, limiting inflation at 7.5 percent and maintaining foreign exchange reserves sufficient to cover imports of goods and services of at least eight months. In addition, to ensure adequate credit flow broad money, growth will be maintained at 15 percent.

Total domestic credit is projected to increase by 16.0 percent in 2012/13. Private sector credit by BFIs is expected to increase by 16 percent in FY 2012/13 as compared to 12.5 percent in FY 2011/12. This level of private sector credit growth is expected to be supportive for achievement of 5.5 percent of economic growth.

Considering improved liquidity situation and rapid growth of money supply, cash reserve ratio (CRR) to be maintained by BFIs has been revised as 6 percent for "A" class financial institutions, 5.5 percent for "B" class financial institutions and 5 percent for "C" class financial institutions from existing 5 percent to all categories.

Commercial banks, development banks and finance companies should maintain deprived sector lending at 4 percent, 3.5 percent and 3 percent respectively in current fiscal year in line with the policy provision of gradually increasing deprived sector lending by BFIs over the next three years.

The provision of statutory liquidity ratio (SLR) which provide with an automatic adjustment of liquid asset in asset portfolio along with growth of deposit of BFIs has been continued. Currently, SLR is at 15 percent for "A" class financial institutions, 11 percent for "B" class financial institutions, 6-10 percent for "C" class financial institutions and 4 percent for "D" class financial institutions.

KEY ECONOMIC INDICATORS OF NEPAL

	Unit	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
I. Real Sector												
Per Capita GDP	US$	261	293	328	350	390	464	497	610	712	735	
Real GDP Growth	%	3.95	4.68	3.48	3.36	3.41	6.10	4.53	4.82	3.88	4.63	
GDP (MP)	Billion US$	6.36	7.29	8.18	9.04	10.33	12.54	12.85	16.01	18.95	19.23	
Agriculture	% of GDP	36.49	35.93	35.19	33.59	32.53	31.71	32.97	35.38	36.89	35.12	
Industry	% of GDP	17.64	17.26	17.13	16.67	16.57	16.80	15.86	15.14	14.83	14.57	
Services	% of GDP	45.87	46.81	47.68	49.74	50.91	51.49	51.17	49.48	48.28	50.31	
Investment	% of GDP	21.41	24.53	26.45	26.85	28.69	30.32	31.67	38.32	32.52	32.77	
National Savings	% of GDP	23.77	27.25	28.41	29.03	28.56	33.22	35.87	35.96	31.65	36.65	
Headline Inflation	%	4.7	4.0	4.5	8.0	5.9	6.7	12.6	9.6	9.6	8.3	
- Food Inflation	%	4.5	3.3	4.0	7.8	7.0	9.3	17.3	15.1	14.6	7.7	
- Non-Food Inflation	%	5.0	4.7	5.1	8.1	4.9	4.1	8.9	4.9	5.4	9.0	
- Core inflation	%											
II. Fiscal Sector												
Revenue Collection (CSR)	Billion US$	725.64	848.16	977.18	1003.50	1249.64	1662.89	1873.52	2397.52	2752.55	3027.43	
Fiscal Deficit (excluding grants)	% of GDP	-5.6	-5.1	-5.5	-5.9	-6.3	-6.6	-7.7	-4.1	-4.3	-3.3	
Fiscal Deficit (including grants)	% of GDP	-3.3	-2.9	-3.1	-3.8	-4.1	-4.1	-5.0	-0.9	-1.0	-0.6	
Public Debt	% of GDP	4.5	3.5	4.6	4.9	6.3	6.1	4.7	6.0	7.1	5.5	
- of which foreign currency	% of GDP											
- domestic debt*	% of GDP	1.8	1.0	1.5	1.8	2.5	2.5	1.9	2.5	3.1	2.4	
- debt servicing	% of total revenue	28.8	27.8	28.2	28.3	26.1	21.1	18.8	16.0	15.1	14.5	
III. External Sector												
Exports (f.o.b)	Billion US$	652.55	748.44	832.08	850.14	872.18	953.40	909.30	854.36	949.94	1008.40	
Imports (f.o.b.)	Billion US$	-1556.20	-1801.17	-2022.30	-2371.97	-2701.24	-3353.27	-3632.00	-4948.11	-5371.31	-5613.22	
Trade Deficit	Billion US$	-903.64	-1052.73	-1190.22	-1521.83	-1829.06	-2399.87	-2722.70	-4093.75	-4421.38	-4604.82	
Remittances	Billion US$	696.81	793.97	909.59	1350.78	1420.49	2195.12	2727.61	3132.85	3508.07	4413.84	
Current Account Balance	Billion US$	149.31	197.83	160.22	196.69	-12.80	364.30	538.99	-371.02	-177.00	908.95	
Current Account Balance	% of GDP	2.36	2.72	1.96	2.17	-0.12	2.90	4.19	-2.36	-0.94	4.88	
Total Foreign Investment	Million US$	12.36	0.00	1.89	-6.49	5.14	4.52	23.79	38.99	89.96	112.46	
- Foreign Direct Investment	Million US$	12.36	0.00	1.89	-6.49	5.14	4.52	23.79	38.99	89.96	112.46	
- Portfolio Investment	Million US$	-	-	-	-	-	-	-	-	-	-	
External Debt and Forex Liabilities	Billion US$											
External Debt and Forex Liabilities	% of forex earnings											
Short-term debt to GDP	%											
External Debt Servicing Ratio (pl see footnote)	***											
Exchange Rate**	Per US$	74.45	74.14	70.35	74.1	64.85	68.5	78.05	74.44	70.95	88.6	
Foreign Exchange Reserves	Billion US$											
IV. Monetary & Capital Market												
Growth Rate of M_1	y-o-y	8.6	12.2	6.6	14.2	12.2	21.6	27.3	11.0	5.2	18.5	
Growth Rate of M_2	y-o-y	9.8	12.8	8.3	15.6	14.0	25.2	27.3	14.1	12.3	22.7	
Growth Rate of M_3	y-o-y	NA	NA	7.9	15.7	13.9	25.0	29.4	12.5	11.7	22.3	
Weighted Avg Lending Rate	%											
Credit growth to Private Sector	%	13.2	14.3	14.2	8.8	18.9	22.9	29.0	14.2	13.9	11.3	
Stock Market (Price Index)	1994=100	204.9	222.0	286.7	386.8	683.9	963.4	749.1	477.7	362.9	389.7	
Market Capitalisation (as leading stock mkt)	Domestic Currency in Billion	35.2	41.4	61.4	96.8	186.3	366.2	512.9	376.9	323.5	368.2	
Market Capitalisation (as leading stock mkt)	% of GDP	8.2	7.7	10.4	14.8	25.6	44.9	51.9	32.1	24.0	23.6	
Market Capitalisation (as leading stock mkt)	Billion US$	0.455	0.563	0.856	1.344	2.654	5.658	6.698	5.077	4.489	4.561	
V. Banking Sector Indicators^												
Capital adequacy ratio	%	-12.0	-9.1	-6.3	-5.3	-1.7	4.0	7.2	9.6	10.6	11.5	
Non performing loans	%	28.8	22.8	18.9	13.2	10.6	6.1	3.6	2.5	3.2	2.6	
Profitability (R.O.E.)$^{\alpha}$	%	NA	NA	NA	N.A.	31.4	35.2	34.7	33.9	25.3	22.5	
Profitability (R.O.A.)$^{\alpha}$	%	NA	NA	6.2	4.3	1.4	2.0	4.9	1.9	1.7	1.5	

PAKISTAN

RECENT OVERALL MACROECONMIC DEVELOPMENTS

Pakistan's key indicators have shown a mix of encouraging sign in spite of a difficult macroeconomic situation during July-December 2013 (H1-FY13). The CPI inflation have witnessed a sharp decline from 9.6 percent in July 2012 to 6.9 percent in November 2012 before inching up to 7.9 percent in December 2012. Despite depletion of foreign exchange reserves - mainly on account of repayment of the IMF loan ($1.4 billion) – the current account posted a surplus of $250 million in H1-FY13, which consequently exerted a drag on the value of Pak rupee.

On the fiscal side, the revenue collection during HI-FY13, witnessed an increase of 5.7 percent after registering 27.1 percent increase in the same period last year. Lack of new tax measures in the FY13 Budget; a slew of tax exemptions; leakages; and undocumented formal economy, could explain the poor growth of tax revenues. However, the non tax revenues of the government received a boost after receiving Coalition Support Fund of 0.7 percent of GDP. The current expenditures of the federal government grew by 30.9 percent in H1-FY13, compared to 6.6 percent last year. Interest payments and energy-related subsidies were the key drivers behind this year increase in the current expenditures. The fiscal deficit is also expected to miss the annul target.

Pakistan's GDP growth is expected to remain below the target of 4.3 percent in FY13. The fundamental reasons for this likely outcome are the prolonged energy crisis and worsening of law and order conditions in the country. These constraints, together with substantial government borrowing from the banking sector, are not only causing substantial under-utilisation of the installed productive capacity and monetary expansion, but also discouraging potential private sector investment.

From the central bank's perspective, the economy is facing two key problems: a) managing the balance of payment position, and b) containing the resurgence of inflationary pressures. While the continuous decline in net capital & financial flows is the fundamental cause of weakness in the balance of payments, high growth in monetary aggregates and upward adjustments in administered prices are considered the major risks to medium term inflation outlook. Despite these hindrances, the resilience of the informal sector appears to be pushing the formal economy forward. Construction activities also remained strong. Beside others, this is also helping large-scale manufacturing.

HIGHLIGHTS ON MAJOR POLICY ANNOUNCEMENTS

The latest monetary policy stance: During H1-FY13, the State Bank of Pakistan (SBP) reduced its policy rate by 250 basis points (bps). A sharper than anticipated decline in CPI inflation and concerns over low level of private investment were the fundamental reasons behind the SBP's decision. While taking these decisions, the SBP also ensured that both the money and the foreign exchange markets remain stable. Further, the reduction in policy rate helped forestall any disincentive created due to higher real interest rates in the wake of falling inflation. Especially, when bringing real interest rates down could potentially increase the demand for private sector credit and kick off economic activities on the margin. In this perspective, the SBP played its role in facilitating economic growth, as the low interest rates helped pickup credit for fixed investments in the economy.

Revision in other policy rates/measures: In order to improve transmission mechanism by minimising short-term volatility in interest rates and to bring more transparency, the SBP reduced the existing width of the interest rate corridor from 300 bps to 250 bps mainly. In addition, SBP also introduced some operational changes in its liquidity management framework, which aims at narrowing the gap between the money market overnight repo rate and the middle of the interest rate corridor targeted by the SBP.

In order to dissuade frequent access by banks to the SBP standing facilities, the SBP introduced in October 2012 the penal rates of plus/minus 50 bps over and above the applicable SBP reverse repo rate. Furthermore, the SBP increased reserve averaging period from one week to two weeks and reduced the daily minimum Cash Reserve Requirement from 4 percent to 3 percent. The key objective behind the measures is to provide banks sufficient room for managing their reserves so as to reduce their reliance on SBP's overnight lending and deposit facility. The end result is expected to be an improvement in banks' liquidity management and reduction in volatility of the overnight money market repo rate.

SBP Policy Instruments

	31-Dec-2012	w.e.f	Previous	w.e.f	Change[1]
SBP reverse repo rate	9.5	17-Dec-12	10.0	8-Oct-12	-50
SBP repo rate	6.5	17-Dec-12	7.0	8-Oct-12	-50
Weekly average CRR on DL and TL < 1 year	5.0	1-Nov-08	6.0	18-Oct-08	-100
Daily minimum	3.0	12-Oct-12	4.0	1-Nov-08	-100

CRR on DL					
and TL < 1 year					
CRR on TL > 1 year	0.0	4-Aug-07	3.0	22-Jul-06	-300
SLR on DL and TL < 1 year	19.0	24-May-08	18.0	22-Jul-06	100
Islamic banks	19.0	3-Jun-11	14.0	1-Apr-11	500
SLR on TL > 1 year	0.0	18-Oct-08	19.0	24-May-08	-1900
Islamic banks	0.0	18-Oct-08	9.0	24-May-08	-900

[1] Basis points; DL: Demand Liabilities; TL: Time Liabilities; w.e.f: with effect from.

Note: Weekly CRR is the proportion of total time and demand liabilities that schedule banks are required to maintain with SBP in the form of cash on average during the week (Friday to Thursday).

Changes in Prudential Regulation(s)/Central Bank Agreements

The SBP amends prudential regulations for corporate/commercial banking: The State Bank of Pakistan has made amendments in Prudential Regulations for Corporate/Commercial Banking in order to provide flexibility to the banks/Development Finance Institutions. According to the amendments, the existing limit for issuance of unsecured guarantees by the banks/DFIs in Pakistan against the back to back/counter-guarantees of the banks situated in foreign countries has been enhanced, if tenor of such guarantees is up to one year. Moreover, for the back to back/counter-guarantee issuing banks situated in foreign countries, National Scale Rating of at least "A" or equivalent shall also be acceptable provided the guarantee issuing bank in Pakistan is comfortable with it. More detail is available on the website: SBP's BPRD Circular Letter No. 9, May 14, 2012; www.sbp.org.pk

The SBP issues instructions regarding the usage of 'held to maturity' securities**:** The State Bank of Pakistan has decided to prohibit all banks from using the securities classified under 'Held to Maturity' category for borrowing from SBP in Open Market Operations (OMOs)/reverse repo facility with effect from 19th October, 2012. This decision has been taken in view of the existing liquidity position of the market.

Pakistan's currency swap arrangement with Turkey: A three-year bilateral currency swap arrangement between the State Bank of Pakistan and the Central Bank of Republic of Turkey (CBRT) has become operational from September 04, 2012. The swap arrangement, which is amounting to US$ 1 billion in equivalent local currencies, is primarily aimed at promoting bilateral trade between the two countries in the respective local currencies besides any "Other" purpose as mutually agreed between the two central banks. The arrangement between the two Central Banks also gives a positive signal to the market on the availability of liquidity of other country's currency in the onshore market. By virtue of this arrangement, the SBP will have the ability to draw on the swap line and provide Turkish Lira (TRY) to banks in Pakistan. Banks will on-lend this liquidity to importers/exporters involved in trade denominated in TRY. At maturity, the importer/exporter will repay the foreign currency to the lending bank, which in turn will repay to the respective central bank.

The SBP is allowed to invest in onshore RMB bond market: State Bank of Pakistan has become the 7th central bank who has been permitted by The Peoples' Bank of China (PBoC) to invest in onshore RMB bond market. The Chinese Interbank Bond Market is the largest RMB denominated bond market with RMB 21.4 trillion turnover during 2011. Access to the Chinese Bond Market will provide the necessary flexibility to State Bank of Pakistan in diversifying & optimal management of Foreign Exchange Reserves in order to meet the associated objectives. Most importantly, the investment in Chinese market is not subject to capital controls and thus SBP will have full discretion on withdrawal of funds, as needed.

KEY ECONOMIC INDICATORS OF PAKISTAN

	Unit	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13*
I. Real Sector												
Per Capita GDP	**US$**	582	663	724	823	904	1015	990	1068	1258	1372	1443[T]
Real GDP Growth	**%**	4.7	7.5	9.0	5.8	6.8	3.7	1.7	3.1	3.0	3.7	4.3[T]
GDP (MP)	**Billion US$**	83.3	98.0	109.5	127.3	143.0	163.5	161.8	176.5	210.8	231.4	251.4[T]
Agriculture	**% of GDP**	24.0	22.9	22.4	22.5	21.9	21.3	21.8	21.3	21.2	21.1	21.0[T]
Industry	**% of GDP**	23.6	25.5	26.3	25.9	26.3	25.8	25.3	26.0	25.5	25.4	25.3[T]
Services	**% of GDP**	52.4	51.6	51.3	51.7	51.8	52.9	52.9	52.6	53.4	53.5	53.7[T]
Investment	**% of GDP**	18.0	17.8	20.3	23.6	22.5	22.1	18.2	15.6	13.1	12.5	13.1[T]
National Savings	**% of GDP**	20.8	17.9	17.5	18.2	17.4	13.6	12.5	13.1	13.2	10.7	11.2[T]
Headline Inflation (yoy)	**%**	3.10	4.57	9.27	7.92	7.77	12.00	17.0	10.10	13.66	11.01	7.9
- Food Inflation (yoy)	**%**	2.80	6.00	12.50	6.90	10.30	17.60	23.70	12.9	18.00	11.00	7.7
- Non-Food Inflation (yoy)	**%**	3.30	3.60	7.10	8.60	6.00	7.90	18.40	8.2	10.70	11.00	8.1
- Core inflation (yoy)	**%**	2.50	3.80	7.20	7.50	5.90	8.40	17.60	7.6	9.40	10.60	9.8
II. Fiscal Sector												
Revenue Collection	**Billion US$**	12.3	13.8	15.2	18.0	21.4	23.9	23.5	24.8	26.3	27.8	15.3
Fiscal Deficit	**% of GDP**	3.70	2.30	3.34	4.27	4.35	7.59	5.35	6.28	6.62	6.63	2.6[$]
Public Debt	**% of GDP**	79.92	71.60	65.95	60.51	58.81	63.32	65.28	68.00	66.04	70.6	61.2
- of which foreign currency	**% of GDP**	39.54	34.35	31.26	28.74	27.52	28.1	32.3	32.5	31.5	28.4	27.2
- domestic debt	**% of GDP**	38.58	35.68	33.51	30.66	30.10	31.97	30.34	31.42	33.3	37.0	37.6
- debt servicing	**% of total revenue**	58.58	59.82	38.56	36.62	36.71	42.41	49.20	47.1	45.0	49.1	54.4
III. External Sector												
Exports (f.o.b)	**Billion US$**	11.2	12.3	14.4	16.5	17.0	19.1	17.7	19.3	24.8	23.6	12.0
Imports (c.i.f)	**Billion US$**	12.2	15.6	20.6	28.6	30.5	40.0	34.8	34.7	40.4	44.9	19.6
Trade Deficit	**Billion US$**	-1.1	-3.3	-6.2	-12.1	-13.6	-20.9	-17.1	-15.4	-15.6	-21.3	-7.6
Remittances	**Billion US$**	4.2	3.9	4.2	4.6	5.5	6.5	7.8	8.9	11.2	13.2	7.1
Current Account Balance	**Billion US$**	4.1	1.8	-1.5	-5.0	-6.9	-13.9	-9.3	-3.9	0.2	-4.5	0.25
Current Account Balance	**% of GDP**	4.9	1.8	-1.4	-3.9	-4.8	-8.5	-5.7	-2.2	0.1	-2.0	0.1@
Total Foreign Investment	**Million US$**	747	1461	2508	6047	8688.6	5574.8	2646.8	2086	1979	738.9	670
- Foreign Direct Investment	**Million US$**	798	949	1525	3521	5140	5410	3720	2151	1635	810	510
- Portfolio Investment	**Million US$**	-239	314	620	986	3283	32	-1073	-65	344	-71	160
External Debt and Forex Liabilities	**Billion US$**	34.8	34.7	35.4	37.2	40.3	46.2	52.3	61.6	66.4	65.8	63.6
External Debt and Forex Liabilities	**% of forex earnings**	178.5	163.2	134.6	123.0	127.9	131.3	152.7	166.5	143.8	140.8	-
Short-term external debt	**% of GDP**	0.22	0.02	0.25	0.13	0.05	0.44	0.40	0.48	0.30	0.36	-
External Debt Servicing Ratio	*******	20.3	23.4	10.4	9.3	8.8	8.7	13.5	12.3	8.4	9.5	
Exchange Rate (average)	**Per US$**	58.50	57.58	59.36	59.88	60.64	62.63	78.62	83.58	85.55	89.25	95.32
Foreign Exchange Reserves	**Billion US$**	10.0	11.1	12.6	13.2	16.6	11.6	12.8	19.6	19.1	15.3	13.8
IV. Monetary & Capital Market												
Growth Rate of M_1	y-o-y	26.16	23.99	18.00	13.13	16.0	4.6	9.8	14.1	17.5	13.9	9.5
Growth Rate of M_2	y-o-y	18.0	19.6	19.1	15.1	18.9	11.9	9.5	13.0	16.7	13.4	8.0
Growth Rate of M_3	y-o-y					16.3	10.9	12.5	13.7	16.3	12.7	9.2
Weighted Avg Lending Rate	**%**	7.58	5.05	8.21	9.93	10.32	12.75	14.32	13.22	14.25	13.13	11.03
Credit growth to Private Sector	**%**	20.9	33.5	34.4	23.5	17.3	16.5	0.7	3.9	4.0	7.5	3.1
Stock Market (Price Index)	**1991=100**	3402.5	5279.2	7450.1	9989.4	17772.5	12289	7162.2	9721.9	12496.6	13801.4	16905.3
Market Capitalisation (as leading stock mkt)	**Domestic Currency in Billion**	746.0	1402.7	2036.7	2766.4	4019.4	3777.7	2120.7	2732.4	3288.7	3518.1	4242.3
Market Capitalisation (as leading stock mkt)	**% of GDP**	15.3	24.9	31.3	36.3	46.3	36.9	16.7	18.5	18.2	17.0	17.7
Market Capitalisation (as leading stock mkt)	**Billion US$**	12.9	24.1	34.1	45.9	66.5	55.3	26.1	32.0	38.2	37.2	44.5
V. Banking Sector Indicators												
Capital adequacy ratio	**%**	8.5	10.5	11.3	12.7	12.3	12.2	14.0	13.9	14.1	15.1	15.4
Non performing loans	**%**	17.0	11.6	8.3	6.9	7.6	10.5	12.6	14.9	15.3	15.9	14.5
Before Tax Profitability (R.O.E.)	**%**	35.4	30.5	38.2	35.2	22.6	11.4	13.2	15.5	21.8	25.9	22.9
Before Tax Profitability (R.O.A.)	**%**	1.8	1.9	2.8	3.1	2.2	1.2	1.3	1.5	2.1	2.4	2.1

Source: Pakistan Bureau of Statistics; State Bank of Pakistan, Ministry of Finance (MoF), Economic Affairs Division, Planning Commission of Pakistan, and CDNS.

Note: T: Target for FY13; *: Jul-December 2012; @: SBP projected GDP for full year has been used in the calculation of current account balance; $: GDP(mp) Target by MoF for FY13 has been used to calculate deficit to GDP ratios; 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.

iscal deficit = total revenue - total expenditure

All H1-FY-13 numbers are provisional.

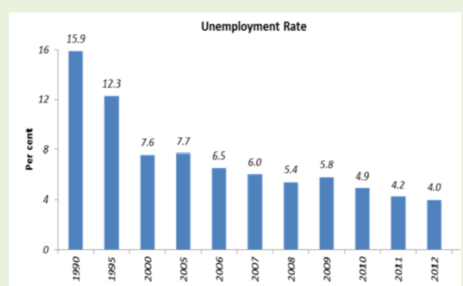
SRI LANKA

RECENT OVERALL MACROECONOMIC DEVELOPMENTS

The Sri Lankan economy grew at a notable 6.4 per cent in 2012 despite numerous global and domestic challenges. The Industry sector was the main driver of growth with the construction sub sector making the most significant contribution reflecting the massive public investment programme and several private sector real estate projects.

Growth in the Services sector, which continued to be the main contributor to GDP, moderated largely on account of the slowdown in external trade and the deceleration in the transport sub sector. Despite adverse weather conditions in the second half of the year, the Agriculture sector performed better in 2012. Reflecting the expansion in economic activities, the unemployment rate declined to 4 per cent in 2012 from 4.2 per cent in 2011.

The robust growth of over 8 per cent in 2010 and 2011 was accompanied by credit and monetary expansion and a widening trade deficit. To address the emerging macroeconomic imbalances, the Central Bank and the government implemented a comprehensive policy package in early 2012.



The Central Bank adopted a tight monetary policy stance by raising policy interest rates and imposing a ceiling on rupee lending by banks to moderate credit growth. In February 2012, the Repurchase rate and the Reverse Repurchase rate were raised by 50 basis points each, and again in April the Repurchase rate was raised by 25 basis points to 7.75 per cent and the Reverse Repurchase rate by 75 basis points to 9.75 per cent. To bring about a more rapid deceleration in credit, the Central Bank issued a Direction restricting rupee credit growth by licensed banks to 18 per cent, while a 23 per cent increase was allowed for banks that mobilised funds from abroad. Further, from February 2012, the Central Bank allowed more flexibility in the determination of the exchange rate and limited the intervention in the foreign exchange market. To curtail imports, duties on non-essential imports were raised. Further to reduce the losses being incurred by state owned enterprises and their impact on overall macroeconomic stability, several administratively determined prices, mainly fuel and energy, were revised. In response to the policy measures adopted, the growth in credit to the private sector and accordingly monetary aggregates decelerated during the year while non-oil imports declined substantially, contracting the trade deficit. The deceleration in monetary aggregates and improved inflation outlook prompted the Central Bank to relax its monetary policy stance in December 2012. Accordingly, the credit ceiling was allowed to expire and the Repurchase rate and the Reverse Repurchase rate were reduced by 25 basis points each to 7.50 per cent and 9.50 per cent, respectively.

The external sector was strengthened during the year with the narrowing of the trade and current account balances and higher inflows to the capital account leading to a surplus in the balance of payments (BOP), thereby raising the level of foreign reserves to a comfortable level. Import expenditure declined by 5.4 per cent with non-oil imports, declining at a faster rate of 8.4 per cent. Despite the decline in exports by 7.4 per cent due to weak external demand and falling international commodity prices, the trade deficit, contracted to 15.8 per cent of GDP in 2012 from 16.4 per cent in 2011.

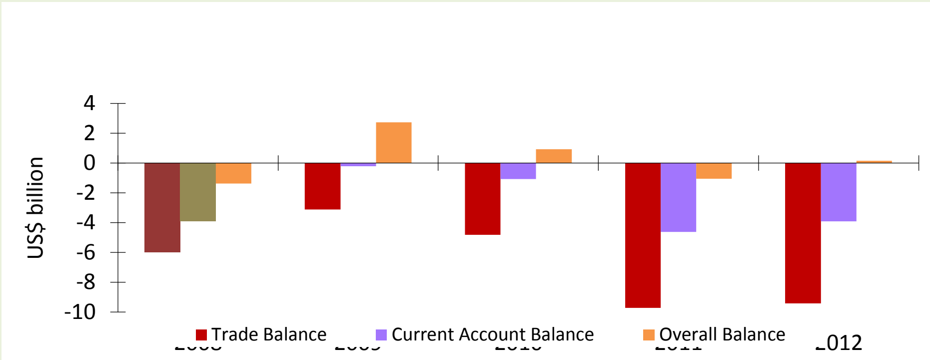
The improvement in the trade account and increased inflows from services exports including tourism and continued high growth in workers' remittances helped to contain the current account deficit to 6.6 per cent of GDP in 2012 from 7.8 in 2011. Net foreign inflows to the capital and financial account exceeded the deficit in the current account. Inflows to the government to finance infrastructure development projects continued to remain healthy in 2012.

HIGHLIGHTS ON MAJOR POLICY ANNOUNCEMENTS

The relaxation of exchange control regulations and tight rupee liquidity in the market, encouraged banks and the private sector to access foreign capital markets. The improvement in the current account and higher inflows to the capital and financial account, including the proceeds of the fifth international sovereign bond resulted in the balance of payments (BOP) recording a surplus of US dollars 151 million in 2012 compared to a deficit of US dollars 1,061 million in 2011. Accordingly, gross official reserves rose to US dollars 6.9 billion (4.3 months of imports) in 2012 from US dollars 6 billion in 2011 (3.5 months of import).

Reflecting the government's continued commitment for fiscal consolidation, the budget deficit was contained significantly below the previous year's level, although it marginally exceeded the budgetary target. The slowdown in economic activity and decline in imports had a negative impact on government revenue collection. However, by maintaining a tight rein on recurrent expenditure, despite high debt service payments due to the rise in interest rates and the depreciation of the rupee, and by scaling back on capital expenditure the overall fiscal deficit was contained at 6.4 per cent of GDP, marginally above the targeted level of 6.2 per cent of GDP compared to 6.9 per cent in 2011. Raising the tax to GDP ratio by broadening the tax base and improving tax compliance would be critical to sustaining the fiscal consolidation process in the medium term. Although a major overhaul of the tax system resulted in the elimination of several nuisance taxes and the lowering of tax rates, revenue collection remained weak. To ensure that the government remains on the announced fiscal consolidation path, greater effort needs to be made to realise the benefits of the comprehensive tax reforms introduced recently through effective measures to broaden the tax base, and to improve tax administration and through appropriate fiscal adjustments.

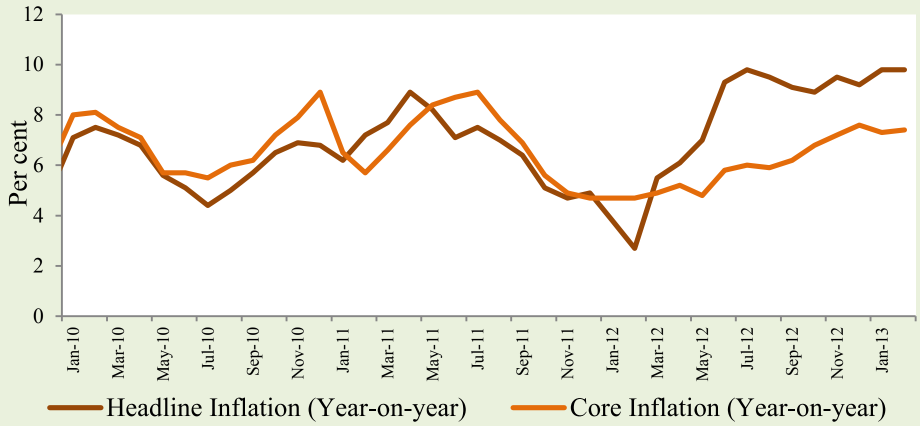
BALANCE OF PAYMENTS



Year-on-year headline inflation, as measured by Colombo Consumers' Price Index (CCPI), declined to a low level of 2.7 per cent in February 2012, as a result of improved domestic food production as well as the moderation of international prices of food commodities. However, the upward adjustment of energy prices and transport fares in February 2012 to reflect the rise in oil prices in the international market, the pass-through of the depreciation of the rupee, supply disruptions on account of adverse weather conditions that prevailed in major cultivation areas and the impact of past high monetary expansion resulted in inflation gradually edging up to end the year at 9.2 per cent. Supply side price pressures were somewhat mitigated by the reduction of some administered prices and duties on imported items, and on the demand side by adopting a tight monetary policy stance, which had a favourable impact on inflation expectations, thus containing inflation at single digit levels during the entire year. Annual average inflation followed a similar trend during the first five months of 2012 declining to 5.6 per cent by May but increased gradually thereafter to 7.6 per cent by December 2012.

As expected, under the policy measures introduced at the beginning of the year the growth in credit and monetary aggregates decelerated significantly and market interest rates moved upwards during the year. The overall growth of reserve money was maintained within the targeted levels, while broad money growth decelerated towards the target. The year-on-year growth of broad money supply moderated to 17.6 per cent by December 2012 from 19.1 per cent a year ago, mainly as a result of the year-on-year growth of credit to the private sector decreasing significantly to 17.6 per cent in December 2012 from 34.5 per cent at end 2011. As a result of the increase in policy interest rates and the impact of the credit ceiling, the entire interest rate structure shifted upwards and remained at appropriate levels as guided by other macroeconomic developments during the year.

Movements of Headline and Core Inflation (Based on CCPI: 2006/07=100 and CCPI Core: 2006/07=100)



Prudent regulation and supervision safeguarded the stability of financial institutions despite the elevated risks from global and domestic developments. The banking sector remained sound with high capital adequacy and liquidity levels and moderate non-performing loans (NPLs). The profitability of the industry improved with banks posting healthy earnings. The regulatory and risk management frameworks have continued to be strengthened in line with developments in the international regulatory framework.

With the raising of capital through foreign borrowings, the banking sector has diversified its sources of funding, enabling further strengthening of its balance sheets and facilitating the financial sector's role in supporting a higher economic growth. Improved infrastructure facilities are expected to crowd in private investment, while a stable macroeconomic environment and improved business confidence are expected to boost foreign investment in thrust industries.

KEY ECONOMIC INDICATORS OF SRI LANKA

	Unit	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
I. Real Sector												
Per Capita GDP	**US$**	870	948	1,062	1,241	1,421	1,617	2,014	2,057	2,400	2,836	2,923
Real GDP Growth	**%**	4.0	5.9	5.4	6.2	7.7	6.8	6.0	3.5	8.0	8.2	6.4
GDP (MP)	**Billion US$**	16.5	18.9	20.7	24.4	28.3	32.4	40.7	42.1	49.6	59.1	59.4
Agriculture	**% of GDP**	20.5	13.2	12.5	11.8	11.3	11.7	13.4	12.7	12.8	11.2	11.1
Industry	**% of GDP**	26.3	28.4	28.6	30.2	30.6	29.9	29.4	29.7	29.4	29.3	30.4
Services	**% of GDP**	53.2	58.3	58.8	58.0	58.0	58.4	57.2	57.6	57.8	59.5	58.5
Investment	**% of GDP**	21.2	22.0	25.3	26.8	28.0	28.0	27.6	24.4	27.6	30.0	30.6
National Savings	**% of GDP**	19.5	21.5	22.0	23.8	22.3	23.3	17.8	23.7	25.4	22.0	24.0
Headline Inflation	**%**			9.0	11.0	10.0	15.8	22.6	3.5	6.2	6.7	7.6
- Food Inflation	**%**	10.6	5.8	9.0	11.4	8.9	20.3	30.5	2.8	6.9(f)	8.8	5.0
- Non-Food Inflation	**%**	7.1	7.5	9.0	10.6	10.9	12.1	15.6	4.1	5.6(f)	4.7	10.0
- Core inflation	**%**		8.5	9.1	10.3	8.5	7.7	13.6	9.2	7.0(f)	6.9	5.8
II. Fiscal Sector												
Revenue Collection (CSR)	**Billion US$**	2.7	2.9	3.1	3.8	4.6	5.1	6.0	6.1	7.2	8.5	7.7
Fiscal Deficit (excluding grants)	**% of GDP**	-4.4	-3.2	-3.7	-2.6	-2.4	-1.6	-2.0	-3.7	-2.1	-1.1	-1.4
Fiscal Deficit (including grants)	**% of GDP**	-8.5	-7.3	-7.5	-7.0	-7.0	-6.9	-7.0	-9.9	-8.0	-6.9	-6.4
Public Debt	**% of GDP**	105.6	102.3	102.3	90.6	87.9	85.0	81.4	86.2	81.9	78.5	79.1
- of which foreign currency	**% of GDP**	45.6	46.3	47.6	39.0	37.5	37.1	32.8	36.5	36.1	35.6	36.5
- domestic debt	**% of GDP**	60.0	56.0	54.7	51.6	50.3	47.9	48.5	49.7	45.8	42.9	42.6
- debt servicing	**% of total revenue**	108.6	124.6	96.5	91.0	93.0	88.6	90.5	118.0	100.4	95.8	103.0
III. External Sector												
Exports (f.o.b)	**Billion US$**	4.7	5.1	5.8	6.3	6.9	7.6	8.1	7.1	8.6	10.6	9.8
Imports (f.o.b.)	**Billion US$**	6.1	6.7	8.0	8.9	10.3	11.3	14.1	10.2	13.5	20.3	19.2
Trade Deficit	**Billion US$**	-1.4	-1.5	-2.2	-2.5	-3.4	-3.7	-6.0	-3.1	-4.8	-9.7	-9.4
Remittances	**Billion US$**	1.3	1.4	1.6	2.0	2.2	2.5	2.9	3.3	4.1		
Current Account Balance	**Billion US$**	-0.2	-0.1	-0.6	-0.7	1.5	1.4	3.9	-0.2	1.1	-4.6	-3.9
Current Account Balance	**% of GDP**	-1.4	-0.4	-3.1	-2.7	-5.3	-4.3	-9.5	-0.5	-2.2	-7.8	-6.6
Total Foreign Investment	**Billion US$**	2.0	2.4	2.8	3.0	3.3	4.7	5.9	7.0	8.2	9.8	12.9
- Foreign Direct Investment	**Billion US$**	0.2	0.2	0.2	0.2	0.5	0.5	0.7	0.4	0.4	0.9	0.8
- Portfolio Investment	**Million US$**	25.0	2.0	11.0	60.0	51.0	101.0	60.0	-6.0	-230.0	-171.0	305.0
External Debt and Forex Liabilities	**Billion US$**	10.3	11.8	12.7	13.0	14.0	16.5	17.8	20.9	24.8	29.4	33.7
External Debt and Forex Liabilities	**% of forex earnings**	1.4	1.4	1.4	1.3	1.3	1.3	1.4	1.7	1.6	1.5	1.7
Short-term debt to GDP	**%**	3.6	3.4	3.1	2.7	2.2	3.4	3.6	7.4	5.3	6.7	8.1
External Debt Servicing Ratio (pl see footnote)	***	10.8	9.4	9.4	6.3	9.8	10.0	13.9	16.1	11.9	9.0	14.5
Exchange Rate	**Per US$**	95.7	96.5	101.2	100.5	104.0	110.6	108.3	114.9	113.1	110.6	127.6
Foreign Exchange Reserves	**Billion US$**	2.5	3.2	3.4	4.2	4.0	5.0	3.6	7.0	8.6	8.0	8.6
IV. Monetary & Capital Market												
Growth Rate of M_1	y-o-y	14.0	16.0	16.6	22.4	12.6	2.7	4.0	21.4	20.9	7.7	2.6
Growth Rate of M_2	y-o-y	13.2	13.8	18.5	19.6	20.7	15.6	11.7	19.9	18.0	20.9	18.3
Growth Rate of M_{2b}	y-o-y	13.4	15.3	19.6	19.1	17.8	16.6	8.5	18.6	15.8	19.1	17.6
Weighted Avg Lending Rate	**%**	18.2	15.7	14.8	15.4	16.6	18.1	20.1	17.4	14.8	13.4	16.0
Credit growth to Private Sector(As per M2b)	**%**	12.0	16.9	22.1	26.3	24.0	19.3	7.0	-5.8	24.9	34.5	17.6
Stock Market (Price Index)	**1991=100**	97.3	126.8	179.8	229.4	324.9	303.3	179.4	404.1	792.0	725.0	673.5
Market Capitalisation (as leading stock mkt)	**Domestic Currency in Billion**	162.6	262.8	382.1	584.0	834.8	820.7	488.8	1092.1	2210.5	2213.9	2167.6
Market Capitalisation (as leading stock mkt)	**% of GDP**	10.3	14.4	18.3	23.8	28.4	22.9	11.1	22.6	39.4	33.9	28.6
Market Capitalisation (as leading stock mkt)	**Billion US$**	1.7	2.7	3.8	5.8	8.0	7.4	4.5	9.5	19.6	20.0	17.0
V. Banking Sector Indicators												
Capital adequacy ratio	**%**	11.7	11.3	11.4	13.3	12.1	12.6	12.5	14.1	14.3	16.0	15.0
Non performing loans	**%**											
Profitability (R.O.E.)	**%**	19.1	21.8	18.1	16.4	15.2	14.0	13.4	11.8	22.4	19.8	20.2
Profitability (R.O.A.)	**%**											

HIGHLIGHTS OF SAARCFINANCE, SPC AND IGEG RELATED ACTIVITIES

1. First Meeting of SAARC Public Debt Managers' Forum

As recommended by the Fifth Meeting of Inter-Governmental Expert Group, the First Meeting of the SAARC Public Debt Managers' Forum was held in Colombo from 19-20 July 2012. All member states of SAARC attended the Forum.

The Forum helped in building relationships with debt managers of the region which is essential for improving internal debt management services in the Member States and the Forum provided opportunity to share expertise with SAARC Member States. The following recommendations were made in the Forum:

i. Continuation of debt managers' forum in SAARC Member Countries

ii. Building relationship among technical staff of debt management offices of SAARC Member Countries

iii. Sharing the public debt management experience with SAARC Member Countries

iv. Developing the regional government debt securities market

The delegation of India confirmed that the Second Meeting of the SAARC Public Debt Managers' Forum would be hosted by India in the last quarter of 2013.

2. 16th SAARCFINANCE Coordinators Meeting

The 16th SAARCFINANCE Coordinators Meeting was held in Bandos Island Resort and Spa, Maldives from 2-3 September 2012. All member countries of SAARC except Afghanistan attended the meeting and most of the countries were represented by the Coordinators. The meeting was inograted by the Governor and Chairman of Maldives Monetary Authority (MMA) H.E. Dr. Fazeel Najeeb. The meeting was Chaired by the Deputy Governor of MMA Mrs. Aishath Zahira.

The main objective of the meeting was to formulate the agenda for the 25th SAARCFINACE Group Meeting held in Tokyo, Japan.

The main items for discussions on the agenda included: launching of SAARCFINANCE Portal for Sharing Technical Information, the SAARCFINANCE Scholarship Scheme framework draft, preparing an Annual Activity Report for SAARCFINANCE, assigning of SAARCFINANCE Alternate Coordinators from each member country and Report of SAARCFINACE on the last 10 years and drawing a Roadmap for SAARCFINANCE Activities for the next 5-Years.

Chairperson of the 16th SAARCFINANCE Coordinators' Meeting, Mrs. Aishath Zahira, Deputy Governor of Maldives Monetary Authority

There was a post meeting excurtion for the participants the meeting. All participants took part in the excurtion to Hulhumale. Delegates were given a briefing on the Hulhumale Devepment project which was launched in 1997 and the first inhabitants setteled in 2004 in this 100% artificial island.

Ms. Neeza Imad of MMA, Mr. Abdul Ghafoor Abdul Latheef of MMA, Ms. Idhham Hussain of MMA, Ms. Mariyam Najeela of MMA, Ms. Aiminath Nashia of MOFT,Mr. Abdul Hameed Mohamed of MMA, Mr. Bibhu Prasad Aryal of NRB, Mr. M. Julhas Uddin of BB, Ms. Aishath Zahira of MMA, Dr. Fazeel Najeeb of MMA,Dr. Mohua Roy of RBI, Mr. Manzoor Hussain of SBP, Mr. C. Ajith Abeysinghe of CBSL, Mr. Gopal Giri of RMAB

3. The 14th Anniversary of SAARCFINANCE

On the occasion of the 14th Anniversary of SAARCFINANCE, the current Chairman, Governor and Chairman of Maldives Monetary Authority H.E. Dr. Fazeel Najeeb webcasted a special message on MMA Website on 9th September 2012, congratulating SAARC Central Bank Governors and other personnel actively involved in SAARCFINANCE activities.

In his message, he looked at the objectives of SAARCFINANCE one by one and analyzed how much was the achievements in the last 14 years. He expressed that the achievements were reasonable despite the limited resources in member Central Banks and emphasized that there is much to do.

He highlighted the SAARCFINANCE Swap Arrangement, SAARCFINANCE Scholarship Program, Management of SAARCFINANCE Portal, and formulation of the SAARCFINANCE Roadmap for the next 5-Years are some of the challenging tasks ahead.

He was confident that, with the full cooperation of his fellow Governors, Coordinators and others involved in SAARCFINACE, the challenges will be met and the objectives will be achieved. He took this opportunity to thank all of them and SAARC Finance Minister for their cooperation and assistance.

4. The 25th SAARCFINANCE Group Meeting,

The 25th SAARCFINANCE Group Meeting was held on sidelines of IMF World Bank Annual Meeting, in Tokyo, Japan, on 14 October 2012. Governors and Chairman of Maldives Monetary Authority H.E. Dr. Fazeel Najeeb chaired the Meeting. All member countries of SAARC except Afghanistan participated in the meeting and most of the delegations were headed by the Governors.

5. The 12th meeting of the Executive Committee of SAARC Payment Council (SPC)

The 12th meeting of the Executive Committee of SAARC Payment Council (SPC) was held on 18th November 2012 at a local hotel in Dhaka, Bangladesh. Nine delegates from Seven SAARC member countries i.e. Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka attended the meeting to discuss and present status of the payment system developments in their respective countries.

Dr. Atiur Rahman, Governor, BB graced the meeting as Chief Guest. Stating the escalating performance of the already established payment modes like automated cheque truncation system, Electronic Fund Transfer (EFT) in Bangladesh, he expressed his firm belief that such kind of E-payment mechanisms including the implementation of National Payment Switch (NPS) will definitely make the payment system effective and efficient.

12th SAARC Payments Council (SPC) Meeting, November 1819, 2012 at Dhaka, Bangladesh From Left : Ms. Aishath Nadhiya, MMA; Md. Delwar Hossain Khan,BB; Ms. B. Weerasinghe, CBSL; Mr. S S Rathnayake, CBSL; Mr. Inayat Hussain, SBP & Chairperson of SPC; Dr. Atiur Rahman, Governor, BB; Mr. Dasgupta Asim Kumar; BB; Mr. Jai Narayan Pradhan; RMA; Ms. Nilima Chhabilal , RBI; Md. Humayun Kabir, BB; Mr. Vijay Chugh, RBI; Mr. Rajan Bikram Shah, NRB

He stated that Bangladesh is planning to implement Real Time Gross Settlement (RTGS) by 2014.These efforts are already leading Bangladesh to become pioneer in green banking. He appreciated the efforts of SAARC payment initiative and hope this knowledge sharing platform will definitely enhance our preparations to build efficient payment systems like NPS and RTGS in our country.

6. Seminar on SAARCFINANCE Website and e-Newsletter

The Reserve Bank of India organised the Seminar on SAARCFINANCE Website and Enewsletter on November 26, 2012 at College of Agricultural Banking, Pune. The main items on the agenda for the meeting were:

- Presentation by the Maldives Monetary Authority on the proposed SAARCFINANCE knowledge sharing portal;
- Discussion on how to improve the present SAARCFINANCE website; and
- Discussion on the SAARCFINANCE e-Newsletter.

The main decisions taken in the meeting were that the SAARCFINANCE website would host useful information intended for public consumption such as the macroeconomic indicators of the member countries, proceedings of various seminars/meetings, SAARCFINANCE e-Newsletters, *etc*. A revised format of website was approved by members.

The proposed SAARCFINANCE portal Maldives Monetary Authority would be a closed user group web-resource, wherein information, such as, minutes of various meetings of SAARCFINANCE Governors/Coordinators, sensitive issues, matters under discussion, agenda of upcoming meetings, etc., which is not meant for the general public, would be posted. It was agreed that SAARC coordinators will have the access to the portal and they will coordinate within their respective organisations as is being currently done. In the Reserve Bank of India, DoC, which is the nodal department for managing the SAARCFINANCE website, would also have access to the portal.

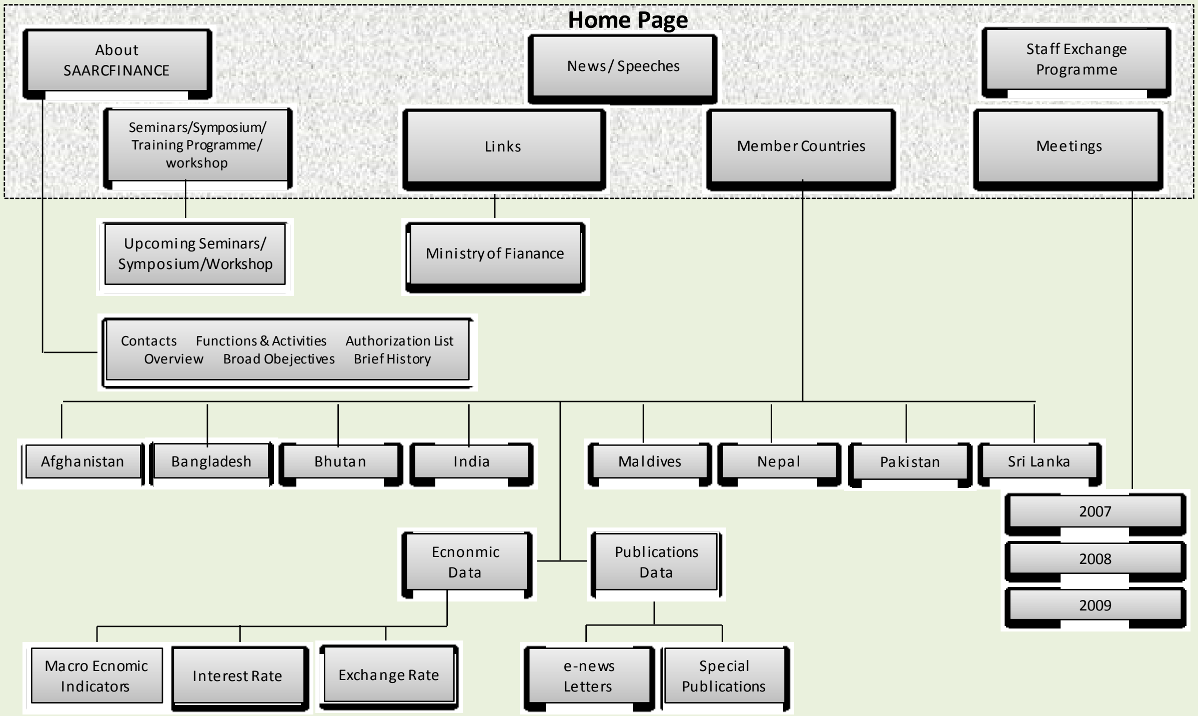
After a fruitful discussion, participants ageed on a new template for the SAARCFINANCE Website. Since SAARCFINANCE e-Newsletter would also be published in a new format giving more information on monetary policy of respective central banks and major economic indicators of SAARC member copuntries, participants agreed to divide the pulications into e-News letter, Website and Annual Activities Repport.

Participants of the Seminar on SAARCFINANCE Website and e-Newsletter

Mr.Md.Julhasuddin of BB, Mr.Jigme Dorji of RMA, Ms.Ugyen Lham of RMAB,Ms.Alpana Killawala of RBI,Dr.Mohua Roy of RBI,Mr.R.R.Sinha of RBI,Mr.P.S.S.Vidyasagar of RBI,Ms.Sabeeta Badkar of RBI,Mr.Abdul Hameed Mohammad of MMA,Mr.Moosa Ahmed Manik of MMA,Dr.Bhubanesh Pant of NRB,Mr.Bibhu Prasad Aryal of NR,Mr.Manzoor Hussain Malik of SBP,Mr.Mustafa Shiraz Ahmed of SBP.

In this respect the SAARCFINACE Staff Exchange Program Table will be published in the SAARCFINANCE Website instead of traditional publication of it in the e-Newsletter.

SAARC FINANCE



The SAARCFINANCE Website is managed by the Reserve Bank of India. The participants of the Seminar agreed the following structure for the new SAARCFINANCE Website is given below:

During the discussions on the SAARCFINANCE e-Newsletter it was suggested that a brief on the important monetary policy meetings conducted in the respective countries along with photos should be covered in the e-Newsletter by the host country. Macro-economic data of the member countries should be updated on a six monthly basis or more frequently in the e-Newsletter.

7. International Research Conference

International Research Conference 2012 organised by Central Bank of Sri Lanka was held on 30 November 2012 at Colombo, Sri Lanka. Most of the member countries of SAARC participated in the conference. This conference provided a forum to present theoretical and empirical research in Central Banks/Monetary Authorities and universities; and facilitated the exchange of views among researchers and policy makers. This conference aimed at stimulating innovative research for the analysis of the current policy issues.

Researchers of the member countries sublimed papers that discussed issues related to macroeconomic stability and financial system stability and encouraged to write papers on the following areas;

- Monetary theory and policy
- Exchange rate dynamics
- Macro prudential policies
- Recent trends in capital flows and their implications
- Financial crisis
- Global liquidity and credit risk
- Financial markets
- Volatility modeling
- DSGE/ business cycle modeling

The International Research Conference 2012 organized by Central Bank of Sri Lanka was a successful conference participated by most of the SAARC members and universities.

The 12th meeting of SAARC Payment Council was held on November 18, 2012 at Dhaka, Bangladesh. Mr. Inayat Hussain, Executive Director, State Bank of Pakistan and Chairperson of SPC chaired the meeting. Following are the extracts of Minutes of the meeting:

Dr. Atiur Rehman, Governor, Bangladesh Bank graced the meeting as chief guest and expressed his confidence in SPC's proactive role in developing and reforming payment systems of SPC member countries in line with accredited international practices.

The Chairperson gave a brief update of SPC and apprised the members of the achievements of 10th and 11th SPC meeting wherein the need to evolve a common understanding, standards and technical terms were addressed.

Minutes of 11th meeting of SPC held at Islamabad, Pakistan were ratified and subsequently approved.The member countries gave presentations on the recent developments in payment systems in their respective countries. The Chairperson invited suggestions for members for drafting a roadmap for SPC for coming years. It was proposed to convene the 13th meeting of SPC in Bhutan which was accepted by the Bhutanese delegate.

Upcoming Events: As agreed at the 25th SAARCFINANCE Group meeting held in Tokyo, Japan on the 14th of October 2012, the State Bank of Pakistan will have the privilege of organising the 26th the SAARCFINANCE Group meeting alongside the ACU meetings at Islamabad during June 18-19, 2013. The SBP will also organise the SAARCFINANCE Governors' Symposium on 'the impact of EU debt crisis on South Asian economies'. Similarly, in pursuance of the decision of 25th Group meeting, the SBP will also organise a meeting of senior economists from SAARC central banks on the 19th of June, 2013.