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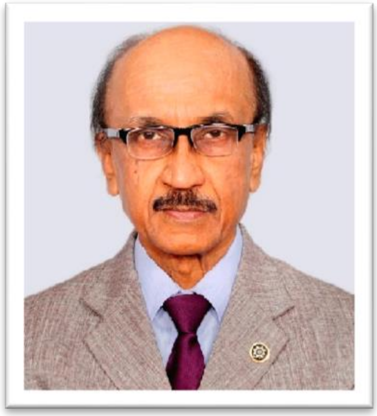


Message from the Chairperson of SAARCFINANCE Network

I am pleased to know that the 22nd issue of the SAARCFINANCE e-Newsletter, which covers the activities of SAARCFINANCE during the first half of 2017, is being published. I understand that this issue highlights the recent economic conditions together with policies undertaken in the SAARC region and recent activities of SAARC Payment Council.

I wish to express my deep gratitude to the SAARCFINANCE members for entrusting Bangladesh Bank (Central Bank of Bangladesh) with the responsibility of Chair of the SAARCFINANCE Network and for providing the opportunity to publish this issue of e-Newsletter. SAARC countries have been sharing their experiences on various macroeconomic policy issues since inception of SAARCFINANCE in 1998. I believe that the publication of this e-Newsletter on economic issues of SAARC region would be beneficial to design macroeconomic policies and also to deepen research on economic and financial issues for the mutual benefit of the SAARC member countries.

I would like to thank the SAARCFINANCE Coordinators and Alternative Coordinators for their sincere support and contribution to this volume. I would also like to register my deep appreciation for the efforts put in by SAARCFINANCE Cell of Bangladesh Bank in preparing this e-Newsletter.

Fazle Kabir
Governor, Bangladesh Bank
and
Chairperson, SAARCFINANCE Network

Objectives of SAARCFINANCE

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

- To promote cooperation among central banks and finance ministries in SAARC member countries through staff visits and regular exchange of information;
- To consider and propose harmonization 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 for a 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 specializing in various aspects of monetary policy, exchange rate reforms, bank supervision and capital market issues;
- To promote research on economic and financial issues for the mutual benefit of SAARC member countries; and,
- To consider any other matter on the direction/request of the SAARCFINANCE, Council of Ministers or other SAARC bodies.

COUNTRY REPORTS

Afghanistan

RECENT OVERALL MACROECONOMIC DEVELOPMENTS

Economic growth in Afghanistan recovered by a rate of 3.6 percent in 2016 from -1.8 percent, albeit the country witnessed substantial uncertainties. Agriculture picked up benefiting from government's supports, favorable monsoon and strong contribution by narcotics; services improved by receiving contribution from robust growth of finance, insurance, real estate and business; but industries weakened due to poor performance in wood production and construction related activities. While the spike in GDP growth was due largely to rise in opium production, it delivered much less resilience without contribution of narcotics representing a growth rate of 2.1 percent from 1.3 percent.

As a whole, growth in agriculture, which has employed most of the country's population, was expectedly robust as it significantly rose to 12.4 percent above the pace set in the previous year (-16.9 percent). In explaining this better than expected pattern of expansion, the role of narcotics was considerable. Based on the reports, the total production of opium soared by 45 percent over the reporting period turning around from -48 percent recorded in the previous year. Except livestock, other components of agriculture sector delivered vigorous performance in 2016. Cereals recorded a growth rate of -4.7 percent from - 14.2 percent, and fruits increased by 32.1 percent from 7.2 percent. The "other" component of agriculture also rose turning around to 6.3 percent from -2.2 percent. However, excluding opium, agriculture sector grew by 6 percent compared to -5.7 percent observed in the preceding year. Growth in industries sector declined by -1.9 percent in 2016, the worst since 2002. Within the total, construction sector dropped by -4.7 percent over the year from 8.1 percent recorded one year back. However, other components either showed upward movement, or remained unchanged. Movement of mining and quarrying was upward representing a growth rate of 10.4 percent from -7.9 percent. Electricity, gas and water also trended upward by 4 percent from - 1.5 percent. Manufacturing sub-sector remained unchanged at 1 percent, albeit the condition in its components was mixed with a significant decline in wood and wood production including furniture, but increasing pattern in textile, wearing apparel and leather; nonmetallic minerals except petroleum and coal; and basic metal more importantly. The performance of construction, on the other hand, was unfavorable putting negative contribution to growth in industry's sector. This component declined to -4.7 percent from 8.3 percent. Growth in services sector was fractionally above the rate set in the previous year. With contribution by finance, insurance, real estate and business; transport, storage, and communication; ownership of dwellings; community, social and personal services, government services; and other services; this sector grew by 2.4 percent from 1.4 percent. Finance, insurance, real estate and business increased by 20 percent from -2.3 percent, the strongest outturn in services sector. At the margin, wholesale and retail trade, and restaurants and hotels exhibited a huge decline standing at -7.2 percent from 3.8 percent. Finally saying, tax on imports stood at 7.8 percent significantly low from 16.1 percent observed one year back.

Monetary Sector Developments:

DAB applies quantitative theory of money to determine the amount of reserve money (RM) for the purpose of supporting domestic price stability, which is DAB's primary objective. Hence, the ECF targets for RM and CiC are based on expected economic growth and expected inflation during the concerned period. For the fiscal year 2017, the ceilings for reserve money and currency in circulation growth were set at 12%. At the end of the first half of current year, actual RM grew by 0.10 percent and actual CiC growth was minus 2.3 percent. Available data shows that typically, RM and CiC recorded lower growth during the first and second quarters of the previous year, while they show increase during the first half of the FY2017. Generally, actual RM and CiC are well managed under the target during the period under review. The average inflation rate for the first six months of the current year stands at 6.09 percent and projected GDP growth is 3 percent in FY 2017 based on DAB calculations. DAB auctioned USD 879.74 million to mop up the excess liquidity from the market and prevent intense fluctuations of Afghani nominal exchange rate against foreign currencies, especially internationally convertible currencies.

Inflation:

Afghanistan's headline CPI inflation increased to 5 percent and 7.19 percent in the first and second quarter of 2017 which makes an average of 6.09 percent for the first half of FY2017. The year-over-year measure of changes in consumer price index showed an average inflation rate of average 7.19 percent higher from 5.16 percent observed in the same period of the previous year. This increase is in line with higher price of commodities in global markets. Based on the reports, most of the items of the global commodity price index exhibited higher prices over the last quarter of the first half of FY2017.

Similar to the year-over-year measure, inflation when measured on quarter-to-quarter basis also rose over the period under review. Observing the data, semi-annually average inflation by this measure stood at 6.09 percent in the first half of FY2017, strongly higher from 3.83 percent in the same period of FY2016.

Kabul CPI also represented higher inflation rate during the first and second quarter of FY2017. Observing the profile of Kabul headline CPI, inflation escalated to 5.37 percent from 2.39 percent in the first quarter and to 7.13 percent 5.58 percent in the second quarter of FY2017 as compared with the corresponding quarters of the previous year. On semi-annual basis, this index on average increased to 6.25 percent from 3.99 percent in the previous year.

External Sector:

The available data reveals that the overall balance for the first half of the FY 2017 recorded a deficit of USD 2,439.71 million up from a deficit of USD 1,268.82 million recorded in the first half of the FY 2016. This outcome was due to trade deficit which is widened by almost 11 percent and narrowed inflows to the secondary income account (current transfers) by 45 percent in the reporting period.

The current account balance, which is the key measure of an economy's saving and spending behavior, shows a deficit of USD 2,728.08 million in the first half of the FY 2017 higher than a deficit of USD 1,724.25 million in the same period of last year registering 58 percent increase.

Earnings from exports of goods have decreased by almost 3 percent while expenditure on imports has increased by almost 10 percent in the first half of 2017. The capital account of the Balance of Payments illustrated 63 percent decline on account of inflows (capital transfers) to the government sector in the first half of the FY 2017.

The available data shows that inflows from foreign direct investment declined by 2 percent, while portfolio investment recorded a decline of 95 percent in the outflow during the period under review.

Considering the BOP, the official reserve assets decreased significantly by 99 percent to USD 3.12 million in the first half of the FY 2017 compared to USD 210.36 million in the first half of the FY 2016.

Fiscal Sector:

During the first six months of FY 2017, the overall performance in the Fiscal Sector of the economy was satisfactory. However, compared to the same period of last year, total revenue collection performance level was low and Afghanistan's public expenditure remained unbalanced at the end of first half of FY 2017, owing to continued deterioration in security conditions which undermined private investment, delayed budget execution, and caused capital flight. Domestic revenue collected at the end of first half of FY 2017 indicates a significant decrease of 7 percent catapulting the total collection to AF 74.28 billion, lower than AF 80.17 billion collected at the end of first half of FY 2016.

KEY ECONOMIC INDICATORS: AFGHANISTAN

Key Macroeconomic Indicators (in million USD)	First half/ 2017	2016	2015
A-Real sector			
Inflation	6.09	4.55	0.08
Real GDP	N/Y	7345.41	7596.61
Nominal GDP	N/Y	19730.95	19347.72
Per Capita income	N/Y	695.71	688.41
B-External Sector			
1.Current Account	-1546.52	-3786.43	-4753.57
Goods and services	-1980.97	-6335.55	-7186.63
Primary income	33.33	51.72	179.96
Secondary income	401.12	2497.40	2253.09
2. capital Account	248.58	1418.13	1430.38
3.Fianancial Account	-25.64	652.77	-169.15
Direct investment	-22.79	-99.61	-169.15
Portfolio investment	-29.55	90.85	81.50
Other investment	25.35	20.01	61.78
Net errors and omissions	1272.30	641.27	-119.90
Reserves assets	1.50	3021.06	3177.14
C- Monetary Sector			
Currency in circulation	3,206.43	3435.23	3068.93
Net international reserves	6,834.37	6,821.90	6,443.00
Reserve assets	7,406.44	7,541.02	6,965.81
Reserve liabilities	572.08	719.13	522.80
Commercial banks deposits in foreign currency	506.58	647.68	433.57
Nonresident deposits in foreign currency	0.14	0.14	0.14
Use of fund resources	65.36	71.31	89.10
D-Fiscal Sector			
Overall balance	(2,007)	79	(258)
Total revenue including Grants	136,553	5,347	5,326
Total Grants	62,269	3,042	3,161
Total Expenditure	138,559	5,268	5,583
Total Operating Expenditures	107,540	3,867	4,129
Total Development Expenditure	31,020		

Macroeconomic Surveillance Indicators of Afghanistan

Core Indicators	Unit	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Current Account Balance as percentage of GDP	%				-14%	-11%	-20%	-31%	-48%	-64%	-45%	-48%	-48%
External Debt as a percentage of GDP	%				0.339293	0.301732	0.272658	0.2726144	0.265466	0.259074	0.248983	0.271149	0.285298
Reserves to Import	%				0.531447	0.562212	0.656372	0.7321697	0.7909605	0.8081756	0.8295612	0.8785021	0.9615723
National Debt to GDP	%				0.342047	0.298371	0.272418	0.272171	0.268293	0.276795	0.255261	0.272397	0.274444
Domestic credit	% of GDP	-2%	3%	7%	7%	8%	-5%	-5%	-6%	-2%	-2%	3%	7%
Fiscal Deficit	% of GDP				-2.3	-0.5	1.9	-0.3	-0.4	2.5	-1.4	-1.1	0.4 (2016)
Inflation(12 month average)	%	11.26	5.13	15.29	31.16	-13.56	6.46	11.78	6.51	7.41	6.69	-1.54	5.03

As per the decision of the 34th SAARCFINANCE Group Meeting, the Chair Country to include the core list of Macroeconomic Surveillance indicators in SAARCFINANCE e-Newsletter on half-yearly basis

Bangladesh

RECENT OVERALL MACROECONOMIC DEVELOPMENTS

Overview

Bangladesh economy has maintained its high growth trajectory over the years. The economy has recorded above 6 percent growth in the last decade. In FY17, the economy has continued to maintain its growth momentum with GDP grew by 7.2 percent. The growth pick up was broad based. Industry and service sectors on the supply-side, and consumer spending, public investment and private investment on the demand-side, were the key drivers to achieve this growth. CPI inflation has been falling for last couple of years and edged down to 5.44 percent in June 2017, below the FY17 ceiling of 5.8 percent. The key monetary aggregates largely followed the program ceiling set for FY17. Fiscal performances improved in FY17 and budget deficit contained within 5 percent of GDP. Sector-wise brief analyses on Bangladesh economy are given below:

Real Economy and Outlook

According to Bangladesh Bureau of Statistics (BBS) estimates, Bangladesh economy grew by 7.24 percent in FY17, up from 7.11 percent in FY16. Though the growth impetus in FY17 largely came from the industry sector (10.5 percent), service and agriculture sectors also grew solidly (6.5 and 3.4 percent respectively). On demand side, strong domestic demand, supported by private sector credit growth and pickup in public investment, helped the economy to attain the higher growth in FY17.

Looking ahead, output growth momentum remains robust, but low export growth and workers' remittance inflow downturn pose risks to growth outlook for FY18. Based on sectoral developments and econometric estimates, GDP growth is projected to be the range of 7.1-7.4 percent in FY18.

Price Developments and Inflation Outlook

Average CPI inflation gradually declined from 5.92 percent in June 2016 to 5.44 percent in June 2017, well below the 5.8 percent target ceiling for FY17. Moderate growth in broad money and overall domestic credit and falling global commodity prices helped the attainment of the benign inflation outcome during the period. Food inflation rose to 6.02 percent in June 2017 from 4.90 percent in June 2016, due mainly to higher rice prices. On the other hand, non-food inflation fell gradually to 4.57 percent in June 2017 from 7.57 percent in June 2016, aided by falling global commodity prices.

Point-to-point inflation rose from 5.53 percent in June 2016 to 5.94 percent in June 2017. Point-to-point food inflation was on uptrend since January 2017, while non-food component was on declining trend till February 2017 whcih edged up slowly thereafter. The sharper rise in food price component of CPI was caused largely by the flash flood-related crop losses in the Northeastern haor regions in FY17.

Looking ahead, given the domestic inflation dynamics and food price developments, some price pressures may emerge during FY18. However, some mitigation of the domestic inflation risks can be expected from subdued global inflation upheld by the onset of monetary tightening in the US and the EU, coupled with low inflation prevailing in neighboring India. Based on the econometric estimate, Bangladesh Bank's projection showed average annual inflation for H1 FY18 to be around 5.5- 5.9 percent.

Money Supply and Credit Growth

Monetary aggregates remained broadly in line with their ceilings set for FY17. Broad money (M2), domestic credit (DC), and credit to private sector grew by 10.9, 11.2, and 15.7 percent respectively in FY17 against their ceilings of 15.5, 16.4, and 16.5 percent respectively. Credit to the public sector, however, declined by 13.0 percent, as the government paid off maturing T-bills/T-bonds with proceeds of larger than planned sales of National Savings Certificates (NSCs).

The monetary program for FY18 aiming at keeping average inflation around 5.5 percent while also supporting attainment of the 7.4 percent GDP growth targeted by the government.
The monetary program framework for FY18 is based on the ceilings for DC, M2, and annual average reserve money (RM) growth of 15.8, 13.9, and 12.0 percent respectively. Lion’s share of the DC growth has been allocated towards the private sector (16.3 percent growth), alongside a smaller growth toward the public sector (12.1 percent growth) as latter’s has ample access to non-bank borrowing through NSCs. These ceilings are deemed to be sufficient to achieve GDP growth target, even allowing for some unforeseen shocks.

External Sector Developments and Outlook

The current account balance (CAB) turned to a deficit of USD 1.48 billion in FY17, driven largely by weaker remittance inflows (-14.48 percent growth) and higher trade deficit (USD 9.47 billion). Moderate export growth (1.7 percent) coupled with stronger import growth (9 percent) caused widening of the trade deficit. However, overall balance recorded a surplus of USD 3.17 billion in FY17 compared to a surplus of USD 5.04 billion in FY16, driven by a positive balance of USD 4.49 billion in the capital and financial account. Foreign exchange reserve continued in rising trend and stood at 33.41 billion which was adequate to cover 8.2 months import bills for Bangladesh. Exchange rate of Taka depreciated by 2.7 percent in FY17, reflecting the market forces. The depreciation of Taka has helped improve export competitiveness.

BoP projections for FY18 indicate some further widening of CAB, and lower but still positive overall balance. Exchange rate of Taka looks likely to remain broadly stable in FY18.

Fiscal Policy and Fiscal Position

a) Fiscal Policy

The key objectives of fiscal management of the Government of Bangladesh are to reduce infrastructure gaps and invigorate private investment, generate employment opportunities and ensure efficient redistribution of wealth through pro-poor and inclusive fiscal policy. Besides, the Government has been maintaining a prudent fiscal stance by keeping budget deficit at a tolerable level (within 5 percent of GDP). The volumes of revenue and expenditure are gradually increasing. The Government has taken up many reform initiatives to develop revenue administration and public expenditure management.

The Government is formulating a new Customs Act as a part of the structural reforms in the revenue administration. Installation of 'ASYCUDA World' has been expanded to 24 land customs stations, off dock and Export Processing Zones (EPZs) to further simplify customs data processing. The Government has taken strategic position to implement Value Added Tax and Supplementary Duty Act 2012. Value Added Tax and Supplementary Duty Rules, 2016 have already been circulated. It is envisaged that the positive impacts of on-going and future reforms in modernizing revenue administration, broadening the tax base, higher tax compliance, and amendment of laws will ensure significantly higher revenue. Hence, total revenue is projected to grow by 0.97 percent of GDP every year over the medium term. On the other hand, several reform measures related to public expenditure management have been taken with a view to improving overall public service delivery.

The previous Integrated Budget and Accounting System (iBAS) has been replaced by iBAS++ system from the current fiscal year; this new system includes four modules: budget preparation, general ledger, budget execution, and accounting. It provides, among others,online service for budget allocation, fund release, budget re-appropriation, online bill submission and payment against them through cheque or EFT, accounts for revenue collection, automated bank accounts adjustment etc. Further, new accounting codes will be introduced for better Government Finance Statistics (GFS) reporting in the medium-term.

b) Fiscal Position

In FY17, total revenue collection was 10.2 percent of GDP, whereas the expenditure was 13.4 percent of GDP. Thus, there was a deficit amounting to 3.2 percent of GDP. Total revenue collection in FY17 was BDT 2,00,752 crore which was 16.1 percent higher than the actual revenue collection in the previous fiscal year. The tax revenue collection in the year was 17.1 percent higher than the actual collection in FY16. On the other hand, the actual non-tax revenue collection marked a 9.0 percent growth compared to the previous fiscal year.

Government expenditure is shown under two broad categories, namely, Non-Development Expenditure and Development Expenditure. Annual Development Programme (ADP) constitutes the major part of the development expenditure. In FY17, the actual ADP expenditure marked 20.7 percent growth compared to the previous fiscal year, whereas the actual non-development and other expenditure marked 15.7 percent growth during the same period.

Overall balance of the budget is determined either by including grants or by excluding grants. In FY17, overall deficit (excluding grant) was 3.1 percent of GDP. In financing the deficit, 88.3 percent resources came from domestic sources and 11.7 percent from foreign sources.

Latest Development of Some Macroeconomic Indicators

The latest developments of some key macroeconomic indicators of Bangladesh economy are given below. Moreover, 8 years data on key macro-economic indicators of Bangladesh economy are also given at Annex-1.

- As per latest available data CPI inflation is 5.70 percent on yearly average basis (5.83 percent on point-to-point basis) at the end of December 2017.
- Export growth has increased to 6.86 percent compared to the same period of the previous fiscal year amounting USD 14.56 billion during July-November, 2017.
- Imports have increased by 28.71 percent compared to the same period of the previous fiscal year and stood at USD 18.53 billion during July-October, 2017.
- Remittance growth has increased by 12.47 percent compared to the same period of the previous fiscal year amounting USD 6.94 billion during July-December, 2017.
- The country's foreign exchange reserve on 28 December 2017 stood at USD 33.23 billion.
- The nominal exchange rate of Taka against US$ remained stable at Tk.82.70 per USD at end December 2017.

HIGHLIGHTS OF MAJOR POLICY ANNOUNCEMENTS (During January-June, 2017)

1. **Instructions regarding mobile financial services**

   In order to prevent malpractice in mobile financial services and to ensure discipline and appropriate utilization of mobile financial services, Bangladesh Bank has imposed restrictions on the number of mobile accounts per user and transaction limit.

2. **Call money borrowing limit for FIs set based on equity.**

   Financial Institutions can borrow from call money market up to 30 percent of its determined equity with effective from 01 February 2017. Earlier, borrowing limit was 15 percent of their net asset.

3. **Enhancement of ERQ for export of ICT services**

   To promote export of ICT services, it has been decided that ICT related service exporters may retain 70 percent of their repatriated export receipts in Exporter's Retention Quota (ERQ) accounts. Earlier, exporters are permitted to retain 60 percent in ERQ accounts.

4. **Guidelines issued on ESRM for banks and FIs**

   In order to incorporate environmental risk in overall credit/investment management and to fortify the risk management process, Bangladesh Bank has issued guideline on Environmental & Social Risk Management **(**ESRM) along with an Excel-based Risk Rating Model for banks and financial institutions.

5. **Enhancement of foreign exchange transactions for IT/Software firms.**

   ADs are allowed to enhance the remittable limit from USD 25,000 to USD 30,000 on behalf of IT/Software firms to meet their bonafide expenses in a calendar year. Accordingly, the limit for issuance of international cards is also increased to USD 6,000 from USD 2,500 subject to the availability of limit.

6. **Changes in prudential regulations for consumer financing.**

   Considering the existing market price and the increasing demand for consumer goods, some changes have been made in prudential regulations for consumer financing. Banks are also instructed to provide consumer finance such a way that, in any case, the growth rate in total loans under consumer financing must not exceed the growth rate of bank's total loans.

7. **Restriction on the limit of investment in bond/debenture.**

   It has been decided that any bank company cannot invest more than 5 percent of its total value from paid-up capital, share premium, statutory outstanding and retained earnings in bonds or debentures of any other company approved by Bangladesh Securities and Exchange Commission. Previously the limit was constrained to 10 percent.

8. **Re-fixation of rate of interest on agriculture and rural credit.**

   Considering the downward trend in lending and deposit interest rates, Bangladesh Bank has reduced the maximum ceiling of interest rate on agricultural and rural credit to 9 percent from 10 percent effective from February 1, 2017.

KEY MACRO ECONOMIC INDICATORS: BANGLADESH

	Unit	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
I. Real Sector									
Per Capita GDP	USD	687	748	766	1088	1115	1236	1385	1538
Real GDP Growth	%	6.1	6.7	6.3	6.2	6.1	6.6	7.1	7.2
GDP (Market Price)	Billion USD	100.4	111.9	115.7	129.9	173.8	195.2	221.0	248.8
Agriculture	% of GDP	20.3	18.0	17.4	16.8	16.1^{R}	15.5	14.8	14.2
Industry	% of GDP	29.9	27.4	28.1	29.0	27.6^{R}	28.2	28.8	29.3
Services	% of GDP	49.8	54.6	54.5	54.2	56.3^{R}	56.4	56.5	56.5
Investment	% of GDP	24.4	27.4	28.2	28.4	28.6^{R}	28.9	29.7	30.3
National Savings	% of GDP	30.0	29.0	29.9	30.5	29.2^{R}	29.0	30.8	30.3
Headline Inflation (12 mth avg)*	%	7.3	8.8	10.6	6.8*	7.4*	6.4	5.9	5.5
- Food Inflation	%	8.5	11.3	10.4	5.2*	8.6*	6.7	4.9	4.5
- Non-Food Inflation	%	5.5	4.2	11.1	9.2*	5.5*	6.0	7.5	7.1
- Core inflation	%	NA	NA	NA	NA	NA	NA	N/A	N/A
II. Fiscal Sector									
Revenue Collection (CSR)	Billion USD	11.5	13.4	15.0	17.5	18.1	18.8^{R}	22.1^{R}	27.6
Fiscal Deficit (excluding grants)	% of GDP	3.7	4.4	5.0	4.8	4.1	3.9^{R}	3.8^{R}	5.0
Fiscal Deficit (including grants)	% of GDP	3.3	3.8	4.6	4.3	3.5	3.7^{R}	3.7^{R}	4.8
Public Debt	% of GDP	32.3	32.4	31.8	30.0	29.1	27.3	27.7	27.1
- of which foreign debt	% of GDP	17.6	17.2	16.6	14.9	14.1	12.1	11.9	11.4
- domestic debt	% of GDP	14.7	15.2	15.2	15.1	15.0	15.2	15.8	15.7
- debt servicing	% of total revenue	7.7	6.9	6.5	6.3	7.2	5.2	4.75	4.14
III. External Sector									
Exports (f.o.b)	Billion USD	16.2	22.6	24.0	26.6	30.2	30.7	33.4	34.0^{R}
Imports (f.o.b.)	Billion USD	21.4	30.3	33.3	33.6	36.6	37.7	39.9^{R}	43.5^{R}
Trade Deficit	Billion USD	5.2	7.7	9.3	7.0	6.8	7.0	6.5^{R}	9.5^{R}
Remittances	Billion USD	11.0	11.7	12.8	14.5	14.2	15.3	14.9	12.8^{R}
Current Account Balance	Billion USD	3.7	-1.7	-0.4	2.4	1.4	3.5^{R}	4.2^{R}	-1.5^{R}
Current Account Balance	% of GDP	3.7	1.5	0.3	1.9	0.9	0.8	1.9	-0.6
Total Foreign Investment	Million USD	796	740	1193	2094	2369	1551^{R}	1424^{R}	2164^{R}
- Foreign Direct Investment	Million USD	913	768	995	1726	1432	1172^{R}	1285^{R}	1706^{R}
- Portfolio Investment	Million USD	-117.0	-28.0	198.0	368	937	379	139^{R}	458^{R}
External Debt and Forex Liabilities	Billion USD	20.3	21.5	22.8	22.3	23.6	23.5	26.3	28.5
External Debt and Liabilities	As % of Forex earnings	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Outstanding Debt	% GDP	20.3	19.7	19.7	14.9	14.1	12.1	11.9	11.4
External Debt Servicing Ratio	% of outstanding external debt	4.3	4.2	4.2	4.2	4.2	4.7	3.9	4.0
Exchange Rate	Per USD	69.2	71.2	79.1	79.9	77.8	77.7	78.3	79.1^{R}
Foreign Exchange Reserve	Billion USD	10.8	10.9	10.2	15.3	21.5	25.0	30.2	33.5^{R}
IV. Monetary & Capital Market									
Growth Rate of M_1	y-o-y	28.0	18.7	6.4	10	14.6	14.3	32.1	13.0^{R}
Growth Rate of M_2	y-o-y	22.4	21.3	17.4	16.7	16.1	12.4	16.3	10.9^{R}
Growth Rate of M_3	y-o-y	23.0	18.9	15.5	15.3	16.5	14.8	18.3	14.6^{R}
Weighted Avg. Lending Rate	%	11.3	12.4	13.8	13.7	13.1	11.7	10.4	9.9
Credit growth to Private Sector	%	24.2	25.8	19.7	10.9	12.2	12.9	16.6	15.6
Stock Market (Price Index)		5111.6	6117.2	4572.9	4385.8	4480.5	4583.1	4507.6	5656.1^{R}
Market Capitalization of DSE$^{\#}$	Billion Taka	2700.7	2853.9	2491.6	2530.2	2386.3	2701.9	2614.5	3239.4^{R}
Market Capitalization of DSE$^{\#}$	% of GDP	38.9	35.8	27.2	24.4	17.7	17.8	15.1	16.6
Market Capitalization of DSE$^{\#}$	Billion USD	39.0	40.1	31.5	31.7	30.7	34.7	33.4	40.9^{R}
V. Banking Sector Indicators									
Capital adequacy ratio	%	9.3	11.4	10.5	9.1	10.7	10.3	10.8	10.9
Non performing loans	%	7.3	6.1	10.0	11.9	10.8	9.7	10.1	10.1
Profitability (R.O.E)	%	21.0	17.0	8.2	8.2	8.4	6.6	9.4	4.7
Profitability (R.O.A)	%	1.8	1.5	0.6	0.6	0.6	0.5	0.68	0.34

Note: All data are provided on the basis of Bangladesh Financial Year (July-June). This format is adopted on recommendations of the SAARCFINANCE meeting on Improvement of SAARCFINANCE e-Newsletter and Development of SAARCFINANCE Scholarship Scheme, 9-10 January 2013, Dhaka, Bangladesh.
*=Base 2005-06=100, $^{\#}$ DSE= Dhaka Stock Exchange
- = Half yearly data are not available, NA= Not available R= Revised.

Macroeconomic Surveillance Indicators for Bangladesh

Indicators	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012	FY 2011	FY 2010
Current account balance as a percentage of GDP	-0.93	1.62	0.96	0.60	1.25	0.84	0.58	2.88
External Debt as a percentage of GDP	11.4	11.9	12.2	14.1	14.9	16.6	17.2	17.6
Reserves as a percentage of import (in months)	8.2	8.2	7.1	6.1	5.2	3.6	3.7	5.4
National Debt as a percentage of GDP	48.25	48.81	47.59	49.19	51.39	51.35	52.58	49.49
Domestic Credit as a percentage of GDP	57.75	56.55	55.36	55.41	55.20	56.92	56.07	51.91
Fiscal Deficit as a percentage of GDP	5.0	3.8	3.9	3.6	3.8	3.6	3.9	3.2
Inflation Rate	5.44	5.9	6.4	7.4	6.8	10.6	8.8	7.3

 # As per the decision of the 34th SAARCFINANCE Group Meeting, the Chair Country to include the core list of Macroeconomic Surveillance indicators in SAARCFINANCE e-Newsletter on half-yearly basis

*fiscal deficit as a percentage of GDP (excluding grants)

** External Debt as a percentage of GDP includes government debt only.

Bhutan

Recent Overall Macroeconomic Developments

1. Bhutan's real GDP continues to grow by 6.49 percent in 2015 from 5.75 percent in the previous year. Contribution to real GDP was mainly due to growth in Secondary sector by 3.52 percent followed by Tertiary sector 2.39 percent and Primary sector 0.59 percent.

2. Meanwhile, Bhutan's inflation (measured by the year-to-year change of the consumer price index) recorded at 4.6 percent during the December of 2016 compared to 3.5 percent of same month of previous year. Increase in the prices of food mainly contributed to the rise during the period. On the other hand, the month-to-month change in imported inflation, during December 2016 was recorded at 3.1 percent while domestic inflation rate was recorded at 6.2 percent.

3. The broad money has recorded growth of 23 percent as of December 2016 which has increased from 17.2 percent in July 2016. The growth in the broad money was contributed by higher growth in narrow money (M1) and other deposits. The growth in narrow money and other deposits grew by 17.2 percent and 31.2 percent, respectively as of December 2016.While on other hand, net foreign assets and domestic credit recorded growth of 10.4 percent and 20.1 percent. The credit to private sector increased to 17.4 percent in December 2016 as compared to 15.1 percent in July 2016.

4. As of December 2016, the growth of combined assets of the financial sector increased by 12.1 percent, from Nu.116.3 billion in July 2016 to Nu.130.4 billion. Of the total assets, 85.2 percent of the total share belonged to the commercial banks while 14.8 percent were held by non-bank financial institutions (NBFIs). During the same period, banking sector assets grew by 12.2 percent to Nu.111.1 billion while that of the NBFIs grew by 11.7 percent to Nu.19.3 billion. The total loans of the financial sector increased from Nu.82.7 billion in July 2016 to Nu.88.4 billion in December 2016, recording growth of 6.9 percent. Of the total loans, banking sector provided Nu.71.9 billion which constitute 81.4 percent. While the share of non-banks loans to total loans was 18.6 percent, amounting to Nu.16.5 billion. In terms of sector wise investment, housing sector has the highest exposure with Nu.20.3 billion, followed by service and tourism with Nu.16.8 billion, trade and commerce with Nu.13.9 billion, personal loans with Nu.13 billion and manufacturing and industry with Nu.11 billion.

5. On external front, as of the December 2016, the current account deficit narrowed by 27.95 percent as compared to the same quarter of previous year. With a decrease of 8.90 percent in imports the trade deficit decreased in the quarter ending December 2016 as compared to the same quarter in 2015. The trade deficits with India as compared to the same quarter in 2015, decreased to Nu. 5.13 billion from Nu. 9.08 billion, where as trade deficit with COTI increased slightly to Nu. 1.98 billion from Nu. 1.6 billion.

As of December 2016, gross international reserves stood at USD 1047.4 million. Of the total reserves, USD 712.6 million were in convertible currency reserves and ₹ 22.75 billion were Indian Rupee reserves. Reserves were sufficient to cover 12.5 months of merchandise imports.

6. The country's total outstanding external debt as of December 2016 stood at USD 2.3 billion. Of the total, ₹ 112.1 billion (USD 1,664.0 million equivalent) were Indian Rupee debt and USD 601.2 million were outstanding convertible currency debt. Debt servicing for the quarter ending December 2016 amounted to USD 9.2 million on convertible currency debt and ₹ 1379.2 million for Rupee denominated debt.

7. On the fiscal front, as of June 2016, total revenue including grants stood at Nu.43.7 billion from Nu.36.2 billion in preceding year. An increase by 20.7 percent in 2015/16, compared to the 4.2 percent negative growth in 2014/15. Of the total revenue and grants, domestic revenue collection totaled Nu.26.3 billion (an increase of 4.6 percent from the previous year) which was more than sufficient to finance current expenditure (Nu.23.9 billion). On the other hand, total expenditure increased significantly by 39.7 percent (from Nu.34.3 billion in FY 2014/15 to Nu.48 billion) during the year. The increase was on account of growth in spending for both current and capital expenditures, which grew by 13.7 percent and 67.1 percent, respectively.

Highlights of Major Policy Announcements

1. The RMA introduced a new, forward-looking and integrated interest rate policy called the Minimum Lending Rate (MLR) with an objective to encourage competition and professionalism among the financial institutions to result in a balanced approach of engaging in financial intermediation. The MLR was implemented with effect from 1st August 2016, and will be reviewed on a semi-annual basis, based on the end of June and December month's balance sheets.

2. The RMA launched Remit Bhutan (www.remitbhutan.bt) on 21st September 2016. This facility is being made available exclusively to Non-Resident Bhutanese (NRB), i.e. Bhutanese who live, work and study overseas to enable them to remit their earnings and savings to their personal foreign currency accounts or to their family members in Bhutan.

3. Given the importance of improving access to credit for Bhutanese youth and rural people. RMA along this line implemented Agent Banking Rules and Regulation 2016 with a focus to improve access to finance for the rural poor.

4. Implemented the revised Prudential Regulation 2016 in the month of September, 2016.

Key Economic Indicators: Bhutan

Bhutan Key Macroeconomic Indicators

	Unit	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
I. Real Sector											
Per Capita GDP(a)	**US$**	1387.40	1814.90	1875.54	1851.58	2277.76	2570.94	2532.77	2463.80	2611.74	-
Real GDP Growth(a)	**%**	6.85	17.93	4.77	6.66	11.73	7.89	5.07	2.14	5.75	6.49
GDP (MP)	**Billion US$**	1.13	1.09	1.24	1.44	1.75	1.84	1.82	1.80	1.96	2.02 (P)
Agriculture	**% of GDP**	23.60	20.50	20.71	18.23	16.80	16.33	15.96	16.10	16.77	16.67
Industry	**% of GDP**	35.50	42.30	40.88	41.97	42.78	40.98	41.62	42.35	40.55	41.34
Services	**% of GDP**	40.90	37.30	38.41	39.81	40.42	42.69	42.42	41.55	42.68	41.99
Investment	**% of GDP**	47.95	37.70	41.39	43.03	61.70	67.65	67.87	45.96	57.75	54.59 (P)
National Savings	**% of GDP**	0.00	0.00	0.00	0.00	35.16	42.11	44.99	22.96	35.33	30.51 (P)
Headline Inflation	**%**	5.94	8.85	2.96	6.14	8.33	13.53	5.51	8.55	5.15	3.56
- Food Inflation	**%**	8.84	11.75	10.74	9.53	8.96	18.72	2.81	12.33	2.92	4.36
- Non-Food Inflation	**%**	2.95	7.74	0.73	8.86	8.17	10.67	7.14	6.11	6.66	3.04
- Core inflation	**%**	-	-	-	-	-	-	-	-	-	-
II. Fiscal Sector											
Revenue Collection (CSR)	**Billion US$**	0.23	0.31	0.35	0.43	0.39	0.40	0.39	0.27	0.39	-
Fiscal Balance (excluding grants)	**% of GDP**	-14.05	-11.19	-10.02	-16.36	-16.78	-20.16	-14.17	-9.43	-11.68	-15.14
Fiscal Balance (including grants)	**% of GDP**	0.71	0.82	2.00	1.80	-2.30	-1.23	-4.36	4.08	-2.35	-3.00
Public Debt	**% of GDP**	31.55	27.28	29.46	29.20	32.52	35.49	41.61	36.13	33.94	134.63 (P)
- of which foreign currency	**% of GDP**	31.55	27.28	29.04	28.39	31.83	34.20	35.10	35.80	31.50	108.63 (P)
- domestic debt	**% of GDP**	0.00	0.00	0.42	0.80	0.69	1.29	6.51	0.33	2.44	0.26(P)
- debt servicing	**% of total revenue**	11.03	30.75	26.94	28.64	26.41	44.74	88.21	46.64	34.29	6.71 (Sept.)
III. External Sector											
Exports (f.o.b)	**Billion US$**	0.57	0.60	0.52	0.54	0.67	0.62	0.59	0.55	0.56	0.39
Imports (f.o.b.)	**Billion US$**	0.53	0.67	0.61	0.84	1.12	1.01	0.95	0.93	0.97	0.74
Trade Deficit	**Billion US$**	0.47	0.08	0.09	0.27	0.46	0.40	-0.35	-0.38	-0.41	-0.36
Remittances	**Billion US$**	0.00	0.00	0.00	0.00	0.00	0.01	0.01	0.00	0.00	8.48
Current Account Balance	**Billion US$**	0.08	-0.11	-0.01	-0.32	-0.52	-0.39	-0.42	-0.47	-0.55	-0.37
Current Account Balance	**% of GDP**	9.22	9.10	6.54	24.19	32.25	22.99	26.43	28.31	29.26	18.64
Total Foreign Investment	**Million US$**	-	0.00	18.12	74.35	31.08	24.06	49.36	43.42	8.08	5.37
- Foreign Direct Investment	**Million US$**	-	0.00	18.12	74.35	31.08	24.06	49.36	43.42	8.08	5.37(Mar)
- Portfolio Investment	**Million US$**	-	-	-	-	-	-	-	-	-	-
External Debt and Forex Liabilities	**Billion US$**	0.72	0.82	0.80	0.87	1.35	1.42	1.61	1.76	1.82	2.21
External Debt and Forex Liabilities	**% of forex earnings**	-	-	-	-	-	-	-	-	-	-
Short-term debt to GDP	**%**	-	3.29	7.16	7.35	10.92	12.99	15.81	9.58	6.68	0.08
External Debt Servicing Ratio (pl see footnote)	*******	3.68	18.27	30.51	29.75	30.96	55.80	167.71	21.02	15.98	11.17
Exchange Rate	**Per US$**	44.19	40.37	47.78	46.65	45.33	50.27	62.00	63.33	63.76	66.32
Foreign Exchange Reserves	**Billion US$**	0. 608	0.55	0.68	0.76	0.80	0.67	0.93	1.20	0.93	1.12
IV. Monetary & Capital Market											
Growth Rate of M_1	**y-o-y**	26.80	6.30	27.70	22.70	34.30	5.60	2.10	5.05	4.97	7.81
Growth Rate of M_2	**y-o-y**	8.62	2.27	24.57	30.09	21.21	-1.02	3.53	6.62	7.82	15.83
Growth Rate of M_3	**y-o-y**	-	-	-	-	-	-	-	-	-	-
Weighted Avg Lending Rate	**%**	-	-	-	-	-	-	-	-	-	-
Credit growth to Private Sector	**%**	34.40	35.80	28.90	40.73	29.40	30.07	7.07	6.44	14.00	14.70
Stock Market (Price Index)	**1991=100**	-	-	-	-	-	-	-	-	-	-
Market Capitalization (as leading stock mkt)(a)	**Domestic Currency in Billion**	4.64	5.03	7.37	8.07	10.01	14.38	17.63	20.59	22.00	23.99
Market Capitalization (as leading stock mkt) (a)	**% of GDP**	11.4	10.17	13.47	13.18	13.81	16.80	18.19	17.70	21.08	20.07
Market Capitalization (as leading stock mkt)(a)	**Billion US$**	0.11	0.13	0.15	0.17	0.22	0.29	0.32	0.35	0.35	0.36
V. Banking Sector Indicators											
Capital adequacy ratio	**%**	17.05	16.12	14.94	14.78	15.90	17.89	19.61	18.51	18.29	16.42
Non performing loans	**%**	4.92	4.91	7.53	6.83	5.20	3.92	6.57	6.33	10.21	11.38
Profitability (R.O.E.)	**%**	18.37	18.31	17.08	22.54	15.72	16.10	13.00	13.06	-0.05	(0.31)
Profitability (R.O.A.)	**%**	1.58	1.54	1.50	1.86	1.58	2.24	2.40	2.27	-0.27	(1.83)

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

1.(a) on a calendar year basis, example, the entry under 2015/16 is for 2015

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

3.Foreign Exchange Reserve comprises of Indian Rupee and USD

4. (-) data not available

5.(P) Provisional estimates

6. External sector data for 2015/16 is as of March 2016

Macroeconomic Surveillance Indicators for Bhutan

Sl. No.	Core Indicators	Year							
		2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
1	Current Account Balance (% of GDP)	-24.30	-32.32	-22.99	-26.43	-28.22	-29.83	-33.13	-24.44
2	External Debt (% of GDP)	66.58	79.53	88.40	98.43	100.31	98.91	118.60	108.64
3	Reserves (% of Import)	138.14	92.35	69.60	94.73	115.14	104.55	109.05	109.14
4	National Debt (% of GDP)	60.09	67.06	73.94	103.96	102.84	101.03	121.56	110.51
5	Domestic Credit (% of GDP)	37.79	42.35	54.70	53.80	49.63	47.06	49.74	57.23
6	Fiscal Deficit (% of GDP)	1.80	-2.30	-1.23	-4.36	4.12	1.59	-1.18	-4.06
7	Inflation (12 months average)	6.14	8.33	13.53	5.51	8.55	5.19	3.31	5.45

 # As per the decision of the 34th SAARCFINANCE Group Meeting, the Chair Country to include the core list of Macroeconomic Surveillance indicators in SAARCFINANCE e-Newsletter on half-yearly basis

India

Recent Overall Macroeconomic Developments

Growth Outlook:

- Real GDP growth at market prices decelerated to thirteen quarters low of 5.7 per cent in Q1:2017-18. Private consumption demand continued to drive growth, however, it started decelerating in Q4:2016-17 and slumped further in Q1:2017-18. Gross fixed Capital Formation (GFCF) which was declining since Q2:2016-17, increased marginally in Q1:2017-18.
- Growth of real Gross Value Added (GVA) at basic prices declined to 5.6 per cent in Q1:2017-18, flat at the level of the preceding quarter. Underlying this subdued performance was the depressed state of industrial activity, particularly manufacturing. Agricultural and allied activities also decelerated sequentially from Q3:2016-17. Services sector activity, however, posted a strong performance, dispelling the slack that had manifested itself through 2016-17.

Inflation Outlook:

- During 2016-17, headline CPI inflation, on an annual average basis, stood at 4.5 per cent as compared with 4.9 per cent in the previous year. After recording a 23-month peak of 6.1 per cent in July 2016, CPI inflation started declining and reached an intra-year trough of 3.2 per cent in January 2017. The decline was primarily due to a sharp correction in food prices and favourable base effect, which was at work till November 2016. However, CPI inflation recorded some uptick during February-March 2017 largely driven by price pressures in fuel and light and housing sub groups. Beginning 2017-18, inflation again dipped and reached an all-time series low of 1.5 per cent in June 2017. While price pressures remained moderate, large favourable base effects which were at play during April-June 2017 dragged inflation down during this time. However, post June 2017, inflation again picked up largely due to price pressures emanating from food, housing and miscellaneous components.
- Food inflation, during 2016-17, depicted significant moderation largely driven by pulses and vegetables. Beginning 2017-18, inflation in the food group not only dropped significantly, but also treaded into the negative territory in May-June 2017. Massive deflation in pulses during this time remained as one of the key drivers that drove food inflation negative. Sugar inflation, which was in double digits during 2016-17 (around 20 per cent), also eased in 2017-18 so far, largely

due to measures facilitating imports and on expectations of higher domestic production. However, on the back of a sharp rise in vegetables prices, driven by a spike in tomato and onion prices, food inflation picked up from July 2017. While in case of tomatoes, it was supply disruptions due to farmers' agitations in Maharashtra in June and adverse weather conditions in important production centres that led to the price spike, for onions prices surged due to damage caused by July rains and large procurement by a few State governments, reportedly.

- Inflation in case of fuel and light, after remaining moderate at around 3.3 per cent during 2016-17, picked up in 2017-18 so far. In excluding food and fuel category, inflation remained range-bound at around 4.8 per cent during 2016-17. Beginning 2017-18, inflation in this category dipped due to muted price pressures across services and reached an all-time low of 3.8 per cent in June 2017. However, post June 2017, inflation excluding food and fuel picked up driven by upward price pressures across the board. Housing recorded significant price pressures during July-August 2017 reflecting the implementation of House Rent Allowance under the 7^{th} Central Pay Commission award.
- Going forward, price pressures in housing and services components warrant some caution. Further, uptick in input price pressures, hardening global crude oil prices and volatility in exchange rate could pose upside risks to the inflation trajectory. In case of food group, pro-active supply management measures by the government would continue to play a crucial role in containing food inflation.

External Sector Outlook:

- India's current account deficit (CAD) at US$ 14.3 billion (2.4 per cent of GDP) in Q1 of 2017-18 increased sharply from US$ 0.4 billion (0.1 per cent of GDP) in Q1 of 2016 -17 and US$ 3.4 billion (0.6 per cent of GDP) in Q4 of 2016-17.
- Net services receipts increased by 15.7 per cent on a y-o-y basis mainly on the back of a rise in net earnings from travel, construction and other business services.
- Private transfer receipts, mainly representing remittances by Indians employed overseas, at US$ 16.1 billion increased by 5.3 per cent over the corresponding quarter of previous year.
- In the financial account, net foreign direct investment at US$ 7.2 billion in Q1 of 2017-18 almost doubled from its level in Q1 of 2016-17.
- Net portfolio investment recorded substantial inflow of US$ 12.5 billion in Q1 of 2017-18, primarily in the debt segment, as compared with US$ 2.1 billion in Q1 of last year.
- Net receipts on account of non-resident deposits amounted to US$ 1.2 billion in Q1 of 2017-18; this was lower than US$ 1.4 billion a year ago.

- In Q1 of 2017-18, there was an accretion of US$ 11.4 billion to the foreign exchange reserves (on BoP basis) as compared with US$ 7.0 billion in Q1 of 2016-17 and US$ 7.3 billion in the preceding quarter.
- At end-June 2017, India's external debt was placed at US$ 485.8 billion, recording an increase of US$ 13.96 billion over its level at end-March 2017.

Monetary Developments

- During the financial year 2017-18 so far (upto September 22, 2017), Reserve Money (RM) increased by 9.2 per cent (around INR 1.8 trillion) *vis-à-vis* an increase of 0.1 per cent in the corresponding period of the previous year mainly reflecting expansion in currency in circulation (CIC) by around 2.5 trillion. On a year-on-year basis, RM stood lower by -4.9 per cent (as on September 22, 2017) as against the growth of 14.6 per cent in the corresponding period of the previous year. Broad money (M3) growth as on September 15, 2017 at 6.8 per cent, was lower than that of 10.6 per cent in the corresponding period of the previous year mainly due to a decline in currency with the public even as aggregate deposits showed a higher growth. The y-o-y growth of Scheduled Commercial Banks (SCBs) credit as on September 15, 2017 was lower at 6.8 per cent than that of 8.9 per cent on the corresponding date of the previous year.

Fiscal Policy:

- The fiscal strategy for 2016-17 (Revised Estimates) was mainly revenue-driven, keeping in view the commitments relating to the implementation of the 7th Central Pay Commission (CPC) and the one-rank-one pension (OROP) award. Net tax revenue of the centre (*i.e.*, net of devolution to states) exceeded the budgeted amount by 4.6 per cent. While gross direct tax revenues were buoyed by collections of around INR 674 billion under the Income Declaration Scheme (IDS), higher revenues from indirect taxes were generated by an upward revision in clean environment cess, imposition of an infrastructure cess on certain motor vehicles, additional excise duty on jewellery articles and increase in excise duty on tobacco products. Committed expenditure towards CPC and OROP awards was largely offset by scaling down provisions under interest payments, keeping the overall level of revenue expenditure close to the budgeted level. The budgeted target for GFD-GDP ratio at 3.5 per cent was met in the Provisional Accounts (PA). Owing to robust tax revenues, the RD-GDP ratio at 2.0 per cent was lower than the budgeted 2.3 per cent.
- The Central Government remained committed to the fiscal consolidation as the Centre's gross fiscal deficit (GFD) is budgeted to decline by 0.3 percentage point to 3.2 per cent in 2017-18. The

budgeted reduction in deficit indicators is based on increases in tax revenues and disinvestment proceeds and containment of the growth in expenditure. Enhanced budgetary allocations have been made for the farm and rural sectors, the social sector, infrastructure and employment generation. The timeline for attainment of the GFD-GDP target of 3.0 per cent has, however, been shifted from 2017-18 to 2018-19.

- The fiscal position of the Central Government deteriorated in 2017-18 so far (Apr-Aug). Key deficit indicators (both in absolute amount as well as proportion of Budget Estimates) are higher as compared to the corresponding period of the previous year. Deterioration in fiscal position is the outcome of both lower growth in revenue and higher growth in expenditure. Tax revenues (net) were higher during April-August 2017 than their levels a year ago on account of higher collections under corporate and income taxes. Receipts under customs duties, union excise duties and service tax moderated, however, mainly due to the ongoing migration of select indirect taxes to the GST. Uncertainty on the revenue front can have adverse implications for the viability of government finances, going ahead. Following advancement of the announcement of the Union Budget, the Union Government undertook massive frontloading of expenditure. The disbursement of subsidies during April-August 2017, in particular, increased sharply. Consequently, revenue expenditure accounted for about 46 per cent of the budgeted expenditure. During Q2 so far (July-August 2017), revenue expenditure propped up Government Final Consumption Expenditure (GFCE) with y-o-y growth of 4.4 per cent (-7.6 per cent in July-August 2016).

Highlights of Major Monetary Measures taken by the Reserve Bank

Oct 04, 2017	Fourth Bi-monthly Monetary Policy Statement for 2017-18 decided to • Keep the policy repo rate under the liquidity adjustment facility (LAF) unchanged at 6.0 per cent. • Consequently, the reverse repo rate under the LAF remains at 5.75 per cent, and the marginal standing facility (MSF) rate and the Bank Rate at 6.25 per cent. • Reduce the Statutory Liquidity Ratio (SLR) by 50 basis points from 20.0 per cent to 19.50 per cent of banks' net demand and time liabilities (NDTL) from the fortnight commencing October 14, 2017. • The ceiling on SLR securities under 'Held to Maturity' (HTM) also to be reduced from 20.25 per cent to 19.50 per cent of banks' NDTL in a phased manner, *i.e.*, 20.00 per cent by December 31, 2017 and 19.50 per cent by March 31, 2018.
Aug 02, 2017	Third Bi-monthly Monetary Policy Statement for 2017-18 decided to • Reduce the policy repo rate under the liquidity adjustment facility (LAF) by 25 basis points from 6.25 per cent to 6.0 per cent with immediate effect.

	• Consequently, the reverse repo rate under the LAF stands adjusted to 5.75 per cent, and the marginal standing facility (MSF) rate and the Bank Rate to 6.25 per cent.
Jun 07, 2017	Second Bi-monthly Monetary Policy Statement for 2017-18 decided to • Keep the policy repo rate under the liquidity adjustment facility (LAF) unchanged at 6.25 per cent. • Consequently, the reverse repo rate under the LAF remains at 6.0 per cent, and the marginal standing facility (MSF) rate and the Bank Rate at 6.50 per cent.
April 6, 2017	First Bi-monthly Monetary Policy Statement for 2017-18 decided to • Keep the policy repo rate under the liquidity adjustment facility (LAF) unchanged at 6.25 per cent. • Consequent upon the narrowing of the LAF corridor, the reverse repo rate under the LAF is at 6.0 per cent, and the marginal standing facility (MSF) rate and the Bank Rate are at 6.50 per cent.
February 8, 2017	Sixth Bi-monthly Policy Statement for the year 2016-17 decided to • Keep the policy repo rate under the liquidity adjustment facility (LAF) unchanged at 6.25 per cent. • Consequently, the reverse repo rate under the LAF remains unchanged at 5.75 per cent, and the marginal standing facility (MSF) rate and the Bank Rate at 6.75 per cent.

Key Economic Indicators of India

	Unit	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
I. Real Sector														
Per Capita GDP (Real) #	**US$**	664	701	851	785	814	909	1495	1371	1295	1361	1354	1399	
Real GDP Growth $	**%**	9.5	9.6	9.3	6.7	8.6	8.9	6.7	5.5	6.4	7.5	8.0	7.1	
GDP (MP at Current Prices) #	**Billion US$**	834	948	1241	1227	1367	1707	1824	1828	1857	2037	2089	2263	
Agriculture Growth $	**%**	5.1	4.2	5.8	0.1	0.8	8.6	5.0	1.5	5.6	-0.2	0.7	4.9	
Industry Growth $	**%**	8.5	12.9	9.2	4.1	10.2	8.3	6.7	4.5	4.2	8.6	10.2	7.0	
Services Growth $	**%**	11.1	10.1	10.3	9.4	10.0	9.2	7.1	7.0	6.9	8.9	9.1	6.9	
Investment #	**% of GDP (MP)**	34.7	35.7	38.1	34.3	36.5	36.5	39.0	38.7	33.8	34.4	33.3		
Domestic Savings $$	**% of GDP (MP)**	33.4	34.6	36.8	32.0	33.7	33.7	33.8	33.1	31.4	32.4	31.7		
Headline Inflation (WPI) ****	**%**	4.5	6.6	4.7	8.1	3.8	9.6	8.9	7.4	5.2	1.3	-3.7	1.7	
- Food Inflation	**%**	3.7	7.9	5.6	8.9	14.6	11.1	7.2	9.3	9.6	4.3	1.2	5.9	
- Non-Food Inflation	**%**	4.7	6.2	4.4	7.8	0.2	9	9.6	6.6	3.7	0.2	-5.4	0.1	
- Excl. Food and Fuel inflation	**%**	2.6	6.1	5.7	6.8	0.9	8.1	8.4	5.6	3.0	1.6	-2.5	0.2	
Headline Inflation (CPI)***	**%**	4.4	6.7	6.2	9.1	12.4	10.4	8.4	10.0	9.4	5.8	4.9	4.5	
- Food Inflation	**%**	4.1	9.2	8.4	12.3	15.2	9.9	6.3	11.2	11.9	6.5	5.1	4.4	
- Fuel & Light Group Inflation	**%**	-4.5	5.7	2.2	8.2	3.6	9.8	15.3	9.7	7.7	4.2	5.3	3.3	
- Excl. Food and Fuel inflation	**%**	6.6	3.2	4.6	6.0	10.5	11.2	9.8	9.0	7.2	5.4	4.6	4.8	
II. Fiscal Sector														
Revenue Collection (CSR)	**Billion INR**	3471	4344	5419	5403	5728	7885	7514	8792	10147	11015	11950	14235.6 @	15157.71
Fiscal Deficit (excluding grants)	**% of GDP**													
Fiscal Deficit (including grants)	**% of GDP**	4 .0	3.3	2.5	6.0	6.5	4.8	5.9	4.9	4.5	4.1	3.9	3.5 @	3.24

Public Debt	**% of GDP**	40.2	38.4	38.5	38.1	38.0	36.2	38.9	39.6	39.4	39.7	40.3	39.2 @	38.1
- of which external debt^	**% of GDP**	2.6	2.4	2.2	2.2	2.1	2.0	1.9	1.8	1.6	1.6	1.5	1.5 @	1.4
- domestic debt ^^	**% of GDP**	37.6	36.0	36.3	35.9	35.9	34.2	37.0	37.9	37.8	38.1	38.8	37.7 @	36.7
- debt servicing	**% of total Revenue**	38.2	34.2	31.6	35.6	37.2	29.7	36.4	35.6	36.9	36.5	37.0	33.9	34.5
III. External Sector														
Exports (f.o.b)	**Billion US$**	105.2	128.9	166.2	189.0	182.4	256.2	309.8	306.6	318.6	316.5	266.4	280.1	73.7 ++
Imports (c.i.f)	**Billion US$**	157.1	190.7	257.6	308.5	300.6	383.5	499.5	502.2	466.2	461.5	396.4	392.6	114.9 ++
Trade Deficit	**Billion US$**	-51.9	-61.8	-91.5	-119.5	-118.2	-127.3	-189.8	-195.7	-147.6	-144.9	-130.1	-112.4	-41.2 ++
Remittances	**Billion US$**	24.5	29.8	41.7	44.6	51.8	53.1	63.5	64.3	65.5	66.3	63.1	56.6	14.6 ++
Current Account Balance	**Billion US$**	-9.9	-9.6	-15.7	-27.9	-38.2	-48.1	-78.2	-88.2	-32.3	-26.9	-22.2	-15.3	-14.3 ++
Current Account Balance	**% of GDP**	-1.2	-1.0	-1.3	-2.3	-2.8	-2.8	-4.2	-4.8	-1.7	-1.3	-1.1	-0.7	-2.4 ++
Total Foreign Investment	**Million US$**	15528	14753	43326	8342	50363	42127	39231	46711	26386	73456	31891	43224	19688++
- Foreign Direct Investment	**Million US$**	3034	7693	15893	22372	17966	11834	22061	19819	21564	31251	36021	35612	7236 ++
- Portfolio Investment	**Million US$**	12494	7060	27433	-14031	32396	30293	17170	26891	4822	42205	-4130	7612	12452++
External Debt and Forex Liabilities	**Billion US$**	139.1	172.4	224.4	224.5	260.9	317.9	360.8	409.4	446.2	474.7	485.0	471.9	485.8 ++
External Debt and Forex Liabilities	**% of forex earnings**	109	115.6	138	112.2	106.9	95.9	81.6	71.3	68.2	72	74.3	78.4	79.6 ++

Short-term debt to GDP	**%**	2.4	2.9	3.7	3.9	3.6	3.7	4.6	5.3	4.9	4.3	4.0	3.8	3.7 ++
External Debt Service Ratio		10.1	4.7	4.8	4.4	5.8	4.4	6.0	5.9	5.9	7.6	8.8	8.3	6.3 ++
Exchange Rate	**Per US$**	44.3	45.3	40.3	46.0	47.4	45.6	47.9	54.4	60.5	61.1	65.5	67.1	64.5 ++
Foreign Exchange Reserves	**Billion US$**	152	199	310	252	279	305	294	292	304	342	360	370	387 ++
IV. Monetary & Capital Market														
Growth Rate of M_1	y-o-y	20.7	17.1	19.4	9	18.2	10.0	6.0	9.2	8.5	11.3	13.5	-3.4(P)*	
Growth Rate of M_2	y-o-y													
Growth Rate of M_3	y-o-y	16.9	21.7	21.4	19.3	16.9	16.1	13.5	13.6	13.4	10.9	10.1	7.3 (P)*	
Weighted Avg Lending Rate of SCBs	**% (as on 31st March)**	12	11.9	12.3	11.5	10.5	11.4	12.6	12.0	12.0	11.8	-	-	
Bank Credit to commercial sector (%)	**%**	27.3	26.1	21.1	16.9	15.8	21.3	17.8	13.5	13.7	9.3	10.7	4.7(P)*	
Stock Market (Price Index) (BSE)	**March End 1991 =100**	965.8	1119.2	1339.5	831.2	1500.7	1664.9	1490.1	1612.7	1916.7	2393.7	2169.7	2536.1	2771.5**
Market Capitalization (as leading stock mkt)	**Domestic Currency in Billion**	30221.9	35450.4	51380.2	30860.8	61656.2	68390.8	62149.1	63878.9	74153	101492.9	94753.3	121545.3	136088.6**
Market Capitalization (as leading stock mkt)	**% of GDP**	81.8	82.5	103	54.8	95.2	87.9	70.4	64.0	65.8	81.6	69.3	79.7	87.3**
Market Capitalization (as leading stock mkt)	**Billion US$**	679.4	805.2	1273.2	602.4	1355.2	1520.1	1235.1	1209.6	1215.4	1625.2	1413.8	1874.6@@	2109.1** @@
V. Banking Sector Indicators														
Capital adequacy ratio	**%**	12.3	12.3	13.0	13.2	13.6	13.0	12.9	13.9	13.0	12.9	13.3	13.6&	
Non-performing loans	**%**	3.3	2.5	2.3	2.3	2.4	2.5	3.1	3.2	3.8	4.3	7.5	9.6	
Profitability (R.O.E.)	**%**	14.8	15.5	16.0	15.4	14.3	15.0	14.6	13.8	10.7	10.4	3.6	4.3	
Profitability (R.O.A.)	**%**	1.0	1.1	1.1	1.1	1.1	1.1	1.1	1.04	0.8	0.8	0.3	0.4	

Macroeconomic Surveillance Indicators for India

Core Indicators	Unit	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18 Q1
Current Account Balance as percentage of GDP	%	-1.2	-1	-1.3	-2.3	-2.8	-2.8	-4.2	-4.8	-1.7	-1.3	-1.1	-0.7	-2.4
External Debt as a percentage of GDP	%	16.8	17.5	18	20.3	18.2	18.2	21.1	22.4	23.9	23.9	23.5	20.2	20.3
Reserves to Import	%	96.75	104.35	120.34	81.69	92.81	79.53	58.86	58.14	65.21	74.11	90.82	94.24	-
National Debt to GDP**	%	36.2	36.3	37.9	39.7	41.6	40	43.1	44.6	45.4	46.6	48	48.1	
Corporate Debt to GDP**	%	-	-	-	-	11.6	11.4	11.9	12.9	13	14.1	14.8	15.8	
Domestic credit*	% of GDP	40.8	45	47.4	49.3	50.1	50.6	52.2	52.9	53.2	52.52	52.99	51.64	
National Output Growth***	%	9.3	9.3	9.8	3.9	8.5	10.3	6.6	5.5	6.4	7.5	8	7.1	
Fiscal Deficit	% of GDP	4	3.3	2.5	6	6.5	4.8	5.9	4.9	4.5	4.1	3.9	3.5 @	

 # As per the decision of the 34th SAARCFINANCE Group Meeting, the Chair Country to include the core list of Macroeconomic Surveillance indicators in SAARCFINANCE e-Newsletter on half-yearly basis

Maldives

Recent Overall Macroeconomic Developments

With regard to the developments in the domestic economy, recent indicators showed that the tourism sector (the single largest contributor to GDP) continued to perform robustly during H1-2017. The growth in tourist arrivals observed during this period surpassed the growth in the corresponding period of the previous two years. The marked increase in arrivals was largely contributed by higher arrivals from Europe, particularly Russia and Italy, which more than offset the decline in arrivals from the single largest market, China. The buoyant growth of the tourism sector was also evidenced by a marked 9% growth in tourist bednights during the period. This reflected both the growth in tourist arrivals as well as an increase in the average duration of stay. As for the other main sectors of the economy, the fisheries sector depicted a significant improvement during H1-2017 as indicated by the marked increase in fish purchases by fish processing companies. Meanwhile, rallied by ease in access to finance and large public infrastructure projects the construction sector continued to show robust growth. Further, activity in the wholesale and retail trade sector also expanded as evidenced by the increased growth in private sector imports and commercial bank credit to the sector.

Looking at the price developments, the domestic inflation rate accelerated significantly to 3.8% in H1-2017 from 0.3% in H1-2016. The acceleration in inflation was largely due to domestic factors, particularly the base effect of the reduction in food subsidies effective from October 2016 and the upward revision of import duties on cigarettes effective from March 2017. Furthermore, the persistent increase in housing rentals also contributed to the higher rate of inflation during the period.

As for the public finance situation, signs of improvements were noted during the first half of the year with increase in total revenue while total expenditure recorded a decline. The growth in total revenue stemmed from buoyant increase in tax revenue receipts during H1-2017, which more than offset the decline in non-tax revenues. The decline in total expenditure reflected the reduction in both recurrent and capital expenditure, in an effort to reign in government spending. While the reduction in recurrent expenditure was mostly contributed by a fall in operational expenses of the government, Aasandha (universal health care system) and expenditure on subsidies, the fall in capital expenditure stemmed from lower spending on Public Sector Investment Program (PSIP). During the first six months of 2017, the budget deficit continued to be financed through domestic sources, particularly through the issuance of government securities.

With regard to monetary aggregates, broad money (M2) registered a marginal decline during H1-2017 when compared with the corresponding period of 2016. The slight decline in broad money during the period was mainly due to a decline in the net foreign assets (NFA) of the banking system, which was almost entirely offset by a growth in the net domestic assets (NDA).

The NFA of the banking system declined mainly due to the fall in NFA of the commercial banks while the NFA the MMA also declined. Meanwhile, the growth in NDA was primarily due to an increase in commercial banks' credit extended to the central government and the private sector.

Delving into the developments in the external sector, merchandise exports grew significantly due to marked increases in both domestic exports and re-exports. During the period,domestic exports increased largely due to a growth in earnings from frozen skipjack tuna exports and the increase in re-exports—mainly comprising of jet fuel sold at international airports—stemmed from growth in oil prices in the international market. As for merchandise imports, an increase was recorded during the period as a result of the recovery in oil prices and the ongoing large infrastructure projects.

With regard to gross international reserves[1] (GIR), although it followed a declining trend during H1-2017, the pace of decline slowed towards the end of the period. These developments largely reflected the trends of the usable reserves[2] component of GIR. Usable reserves, which also followed a declining trend during the first five months of 2017, registered a significant decline in May 2017 due to the repayment of the currency swap agreement between the MMA and the Reserve Bank of India. However, usable reserves recorded a marked growth at the end of June 2017 as a result of proceeds from a sovereign bond issued by the government during the month.

Highlights of the major policy announcements

The monetary policy framework broadly remained unchanged during H1-2017. The MRR remained unchanged at 10% for both local and foreign currency deposits, following the last downward revision from 20% on 20th August 2015. No operational reforms were announced for Open Market Operations and the standing facilities of the MMA during the review period. Open Market Operations remained suspended since May 2014, and excess liquidity in the banking system continued to be absorbed entirely through placements in the Overnight Deposit Facility (ODF) of the MMA. The Overnight Lombard Facility (OLF), which is the facility for overnight borrowings, remained opened for all commercial banks. The interested rate for the ODF and the OLF remained unchanged during the review period, with 1.5% p.a.and 10%p.a., respectively.

[1]Gross international reserves comprises Maldives' reserve position in the IMF, commercial banks' US dollar reserve

[2] Usable reserves = gross international reserves minus short-term foreign liabilities. This shows the amount of funds are that are readily available for use by the MMA in the foreign exchange market.

KEY ECONOMIC INDICATORS: MALDIVES

	Unit	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
I. Real Sector														
Per Capita GDP[/1]	**US$**	3666.6	3307.3	4161.5	4656.7	5404.4	5585.4	5903.3	6041.3	5974.5	6410.7	6858.9	7338.7	NA
Real GDP Growth[/2]	**%**	13.2	-8.1	19.9	10.2	12.7	-5.3	7.2	8.7	2.5	4.7	6.0	2.8	3.9
GDP[/3]	**Million US$**	1202.2	1119.8	1474.7	1746.0	2110.0	2149.3	2323.4	2454.9	2509.3	2785.5	3086.2	3423.3	3765.6
Agriculture	**% of GDP**	5.4	6.9	5.7	5.0	5.1	4.0	4.0	3.6	3.4	3.3	3.0	2.8	NA
Industry	**% of GDP**	11.9	13.6	11.9	11.7	16.2	13.9	14.3	16.6	17.1	15.0	16.6	19.5	NA
Services	**% of GDP**	74.3	71.5	74.8	76.3	72.3	78.7	77.8	72.2	71.9	72.0	70.2	66.4	NA
Investment	**% of GDP**	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
National Savings	**% of GDP**	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Headline Inflation/[4]	**%**	-1.7	1.3	2.7	6.8	12.0	4.5	6.1	11.3	10.9	3.8	2.1	1.0	0.5
Food Inflation/[5]	**%**	16.0	7.8	4.0	16.2	19.1	0.5	7.5	19.9	17.6	7.2	0.7	0.5	0.6
Non-Food Inflation/[6]	**%**	NA	NA	NA	NA	NA	NA	NA	NA	NA	1.4	2.7	1.1	0.5
Core inflation	**%**	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
II. Fiscal Sector														
Revenue Collection (CSR)/[7]	**Million US$**	267.6	360.4	480.8	591.5	582.5	448.0	511.5	673.3	658.7	773.3	985.3	1126.0	1181.0
Fiscal Deficit (excluding grants)	**% of GDP**	-1.5	-13.0	-8.9	-7.9	-12.0	-20.5	-14.9	-8.6	-8.6	-4.4	-3.2	-9.0	-8.2
Fiscal Deficit (including grants)	**% of GDP**	-1.0	-7.3	-4.3	-3.2	-10.1	-19.0	-14.4	-6.6	-7.7	-4.1	-2.9	-7.8	-7.4
Public Debt[/8]	**% of GDP**	NA	NA	NA	NA	NA	NA	66.4	63.1	66.1	66.2	66.0	63.1	65.8
- of which foreign currency(debt) [/8]	**% of GDP**	25.9	27.7	23.1	22.2	20.8	24.0	26.4	27.3	28.7	26.8	22.6	19.3	20.3
- domestic debt	**% of GDP**	NA	NA	NA	NA	NA	NA	40.0	35.7	37.4	39.4	43.4	43.8	45.5
- debt servicing[9/]	**% of total revenue**	10.5	8.6	5.5	5.6	8.2	10.8	9.9	9.5	11.1	7.9	7.8	6.4	6.8
III. External Sector/[10]														
Exports (f.o.b)	**Million US$**	NA	NA	NA	NA	NA	NA	NA	346.4	314.4	331.0	300.9	239.5	257.1
Imports (f.o.b.)	**Million US$**	NA	NA	NA	NA	NA	NA	NA	1716.8	1575.8	1703.0	1960.9	1894.5	2096.6
Trade Deficit[/11]	**Million US$**	NA	NA	NA	NA	NA	NA	NA	-1370.5	-1261.4	-1372.0	-1660.0	-1655.0	-1839.5
Remittances	**Million US$**	NA	NA	NA	NA	NA	NA	NA	239.4	259.3	265.0	300.8	347.8	378.6
Current Account Balance	**Million US$**	NA	NA	NA	NA	NA	NA	NA	-383.4	-184.5	-127.4	-117.8	-294.1	-840.0
Current Account Balance	**% of GDP**	NA	NA	NA	NA	NA	NA	NA	-15.6	-7.4	-4.6	-3.8	-8.6	-22.3
Total Foreign Investment	**Million US$**	NA	NA	NA	NA	NA	NA	NA	-416.4	-187.7	-67.4	-543.9	-491.0	-811.7
- Foreign Direct Investment	**Million US$**	NA	NA	NA	NA	NA	NA	NA	-423.5	-228.0	-360.8	-333.4	-307.7	-448.0
- Portfolio Investment	**Million US$**	NA	NA	NA	NA	NA	NA	NA	-0.1	-53.1	53.3	17.2	-122.9	5.1
External Debt and Forex Liabilities	**Million US$**	315.7	379.3	536.6	796.3	861.5	917.1	949.5	895.2	813.8	791.5	743.5	695.5	848.2
External Debt and Forex Liabilities/[12]	**% of forex earnings**	NA	NA	NA	NA	NA	NA	NA	36.6	32.7	27.2	22.5	22.1	25.2
Short-term debt to GDP	**%**	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
External Debt Servicing Ratio/[13]	*******	NA	NA	NA	NA	NA	NA	NA	2.6	2.9	2.1	2.3	2.3	2.4
Exchange Rate/[14]	**Per US$**	12.8	12.8	12.8	12.8	12.8	12.8	12.8	15.41	15.37	15.41	15.40	15.41	15.35
Foreign Exchange Reserves	**Million US$**	203.6	186.4	231.6	308.4	240.6	261.0	350.2	334.9	304.5	368.3	614.7	564.0	467.1
IV. Monetary & Capital Market														
Growth Rate of M1/[15]	y-o-y	19.7	22.5	22.2	20.0	37.1	22.3	1.1	8.7	2.9	23.6	7.8	18.7	1.0
Growth Rate of M2/[16]	y-o-y	31.4	10.6	18.9	24.1	21.8	14.4	14.6	20.0	4.9	18.4	14.9	12.1	-0.2
Growth Rate of M3/[17]	y-o-y	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Weighted Avg Lending Rate/[18]	**%**	NA	NA	NA	NA	NA	NA	10.4	10.2	10.5	11.4	11.4	10.8	10.6
Credit growth to Private Sector	**%**	58.2	59.7	48.6	49.4	29.7	-4.1	-2.3	5.9	-9.9	0.9	2.8	11.7	10.5
Stock Market (Price Index)/[19]	**2002=100**	239.6	199.8	137.6	342.7	287.1	229.6	211.2	157.4	149.7	114.6	134.1	156.5	155.0
Market Capitalisation (as leading stock mkt)	**Domestic Currency in million**	1334.9	1113.3	766.8	2681.7	2246.1	1862.0	1726.1	1286.9	7743.4	5926.3	6963.0	8122.8	8048.6
Market Capitalisation (as leading stock mkt)	**% of GDP**	8.7	7.8	4.1	12.0	8.3	6.8	5.8	3.6	20.0	13.8	14.6	15.4	13.9
Market Capitalisation (as leading stock mkt)	**million US$**	104.3	87.0	59.9	209.5	175.5	145.5	134.8	83.5	503.8	384.6	452.1	527.1	524.3
V. Banking Sector Indicators														
(information provided are annual figures)														
Capital adequacy ratio	**%**		19.8	17.2	17.5	21.0	24.7	28.9	29.3	35.8	35.1	44.5	41.5	44.6
Non performing loans	**%**		6.4	2.4	1.6	8.9	12.7	17.2	19.4	21.0	17.7	17.4	13.6	10.5
Profitability (R.O.E.)	**%**		37.0	53.5	30.8	19.0	13.8	11.7	15.0	13.8	23.5	20.3	17.2	20.2
Profitability (R.O.A.)	**%**		4.5	6.4	4.1	3.1	2.2	2.0	2.6	2.6	5.0	4.6	3.8	4.7

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

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

Footnotes

1 - Refers to nominal GDP per capita (PPP $).

2 - Real GDP at market prices.

3 - GDP by sector as a percent of GDP, agriculture refers to primary sector, industry refers to secondary sector and services refer to tertiary sector.

4 - Maldives national series 12 month moving average is taken for Headline Inflation and Food Inflation.

5 - Refers to inflation in "Food and non-alcoholic beverages" for the national series.

6 - 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.

7 - Revenue collection (CSR) is the total revenue including grants. The exchange rate (MVR/USD) used applied from 2004-2010 is 12.80; to 2011 is 14.71; 2012-2014 is 15.39; 2015-2016 is 15.37. These are the average of the monthly reference rates (mid-rate of the buying and selling rates) for the year.

8 - This represents central government debt only.

9 - This refers to external debt servicing calculated as a percentage of domestic revenue.

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

11 - Indicates balance of goods only

12 - Government and Commercial Banks' External Debt stock outstanding divided by Export of Goods and Services (XGS).

13 - Debt service (Principle and Interest Payment) divided by Export of Goods and Services (XGS) minus grants

14 - End of period reference rate.

15 - This refers to the narrow money.

16 - This refers to the broad money or total liquidity.

17 - M3 is not calculated in Maldives.

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

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

20 - NA refers to not available.

Macroeconomic Surveillance Indicators for Maldives

Core Indicators	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
balance as a percentage of GDP [1/]	na	na	na	na	na	na	na	na	na	na	-15.62	-7.35	-4.57	-3.82	-8.59	-22.31	-15.77
External debt as a percentage of GDP	22.93	27.63	26.76	26.26	33.87	36.39	45.61	40.83	42.67	40.87	36.47	32.43	28.42	24.09	20.32	22.52	na
percentage of Import (in months)	2.90	4.09	4.08	3.82	3.01	3.01	3.39	2.09	3.25	3.85	2.74	2.35	2.55	3.70	3.57	2.64	na
National Debt as a percentage of GDP[2/]	na	na	na	na	na	na	na	na	na	66.39	64.65	65.97	66.15	65.95	63.09	65.72	na
Domestic Credit as a percentage of GDP	27.43	28.52	23.02	27.67	48.53	51.28	63.25	69.64	78.19	85.64	80.09	74.02	71.49	69.62	73.27	79.64	na
Fiscal Deficit as a percentage of GDP[3/]	-3.36	-3.45	-2.25	-1.03	-7.29	-4.26	-3.19	-10.07	-18.97	-14.35	-6.60	-7.68	-4.11	-2.89	-7.83	-7.41	-0.48
Inflation (12 month average)	0.67	4.18	-1.26	-1.69	1.30	2.74	6.79	12.04	4.53	6.15	11.27	10.88	3.81	2.12	0.95	0.50	na

 # As per the decision of the 34th SAARCFINANCE Group Meeting, the Chair Country to include the core list of Macroeconomic Surveillance indicators in SAARCFINANCE e-Newsletter on half-yearly basis

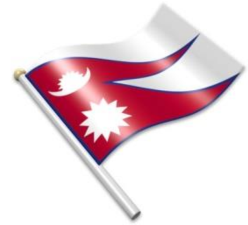
Notes:

1/ The data is compiled based on information available as at 16th April 2017 in accordance with IMF's BPM6 methodologies. Figures for 2015 and 2016 are revised estimates and figures for 2017 are revised projections. As part of MMA’s efforts to improve the coverage of the balance of payments statistics, the methodology and assumptions have been revised. Hence the data prior to 2011 is not available.

2/ National debt (governments debt) includes domestic and foreign debt. Data prior to 2010 is not available as domestic debt is not available.

3/ Fiscal deficit is calculated based on the format IMF's GFS manual 1986. Figures for 2015 are revised actuals, figures for 2016 are revised estimates and figures for 2017 represent the budget approved by the parliament during November 2016.

Nepal



Recent Overall Macroeconomic Developments

Real Sector

Nepalese economy is expected to have income growth of 7.5 percent in 2016/17 and to have reached of 24.47 billion USD; the present growth compares favorably with that of 0.4 percent growth in previous period and has also been a record high since 1993/94. Such a growth is supported by a good monsoon, improved power supply and normal supply situation. In the review year, the agriculture sector is expected to grow by 5.3 percent whereas the non-agriculture sector is expected to expand by 7.7 percent. These sectors had grown 0.0 percent and 0.2 percent respectively in the previous year.

Price Situation

The annual average consumer price inflation has moderated to 4.5 percent in 2016/17 compared to 9.9 percent in the previous year. The annual data shows that food inflation has declined to 1.9 percent and the non-food inflation also moderated to 6.5 percent in current fiscal year from 10.9 percent and 9.2 percent respectively in the previous period. The higher base price of the preceding year, improved supply situation and lower global prices, including that of India, contributed to inflation easing in the review year.

The consumer price inflation dipped to 2.7 percent in 2016/17 compared to that of 10.4 percent a year ago. The average price indices of food and beverages group and non-food and services group increased 1.9 percent and 6.5 percent respectively in the review year. These indices had increased 10.9 percent and 9.2 percent respectively in the previous year.

The wholesale price index increased by 2.7 percent in 2016/17 compared to a rise of 6.3 percent in the previous year. The annual average wholesale price indices of agricultural commodities and domestic manufactured commodities increased by 3.2 percent and 4.8 percent respectively, whereas such an index of imported commodities declined by 0.2 percent in the FY 2016/17. These indices were increased by 10.5 percent, 6.2 percent and decreased by 2.9 percent respectively in FY 2015/16.

Monetary Situation

In FY 2016/17, broad money (M2) was relatively lower at 15.5 percent compared to 19.5 percent in the previous year. Net foreign assets (NFA, after adjusting foreign exchange valuation gain/loss) increased by NPR 82.15 billion (8.6 percent) during the review year compared to an increase of NPR 188.95 billion (25.3 percent) in the preceding year. On y-o-y basis, the reserve money also recorded an increase by 20.1 percent in the review year compared to an increase of 4.6 percent in the previous year.

In 2016/17, over all deposits in the banks and financial institutions (BFIs) increased by 14.0 percent compared to an increase of 19.4 percent in the previous year. Growth of deposits in BFIs is disaggregated as follows: deposits at commercial banks increased by 18.6 percent, while that of development banks and finance companies decreased by 17.8 percent and 17.9 percent respectively in the review year. The merger and acquisition drive in the review year resulted in a contraction in the deposit of development banks and finance companies.

Similarly, the overall domestic credit increased by 19.4 percent in the review year compared to a growth of 18.2 percent in the previous year. Claims on the private sector increased by 18 percent compared to a growth of 23.2 percent in the previous year. Credit to the private sector from BFIs increased by 18.2 percent in the review year compared to a growth of 23.7 percent in the previous year. In the review year, private sector credit from commercial banks increased by 25 percent, while that of development banks and finance companies decreased by 13.7 percent and 13.3 percent respectively.

In 2016/17, the NRB injected NPR 61 billion liquidity through open market operations. NPR 33.21 billion was injected through repo auction including NPR 5.4 billion under the corridor system and NPR 27.79 billion liquidity was availed through outright purchase auction. Likewise, the BFIs used NPR 63.39 billion standing liquidity facility (SLF) in 2016/17. In 2016/17, the NRB mopped up NPR 124.45 billion through open market operations. Of which, NPR 43.75 billion was mopped up through 14 days deposit collection auction under the corridor system, NPR 16.45 billion under 90 days deposit collection auction and NPR 64.25 billion through reverse repo auction on a cumulative basis. In the previous year, NPR 297.5 billion was mopped up through deposit collection auctions, NPR 235.95 billion through reverse-repo auctions and NPR 9.10 billion through outright sale auctions.

Interest Rate Structure

The weighted average 91-day Treasury bill rate increased to 0.71 percent in the twelve months of 2016/17 from 0.05 percent a year ago. The weighted average inter-bank transaction rate among commercial banks, which was 0.69 percent a year ago, decreased to 0.64 percent in the review period. However, the weighted average inter-bank rate among other financial institutions increased to 4.47 percent as of mid-July 2017 from 3.35 percent a year ago.

The weighted average interest rate spread between deposit and lending rate of commercial banks decreased to 5.2 percent in the review month from 5.6 percent a year ago. The average base rate of commercial banks increased to 9.9 percent in the month of July from 6.5 percent a year ago.

Fiscal Situation

Government of Nepal’s (GON) budget on cash basis increased to a deficit of NPR 125.61 billion compared to the deficit of NPR 49.83 billion in 2015/16. The ratio of budget deficit-to-GDP stood at 4.8 percent in 2016/17. The government revenue collection increased by 26.4

percent to NPR 609.17 billion in 2016/17. The revenue collection had risen by 18.8 percent to NPR 481.98 billion in 2015/16.

Similarly, Government expenditure, on cash basis, increased by 36.5 percent to NPR 793.91 billion in 2016/17 compared to an increase of 14.2 percent in 2015/16. During 2016/17, recurrent expenditure increased by 37.6 percent to NPR 501.62 billion compared to a growth of 8.8 percent in the preceding year. Such expenditure stood at 81.3 percent of budget estimate. In 2016/17, capital expenditure increased by 63.8 percent to NPR 189.46 billion compared to its growth of 42.8 percent in the previous year. The capital expenditure in 2016/17 accounted for 60.7 percent of budget estimate.

External Sector Situation

Merchandise exports witnessed a turnaround from a decline of 17.8 percent in 2015/16 to a growth of 4.2 percent to NPR 73.05 billion in 2016/17. Exports to India, China and other countries increased by 5 percent, 1.2 percent and 3.3 percent respectively in 2016/17. The ratio of total exports to GDP shrank to 2.8 percent in 2016/17 compared to 3.1 percent a year ago. Similarly, merchandise imports increased by 28 percent to NPR 990.11 billion in 2016/17 as against a drop of 0.1 percent in the previous year. In 2016/17, total trade deficit widened by 30.4 percent to NPR 917.06.

The workers' remittances increased by 4.6 percent to NPR 695.45 billion in 2016/17 compared to a growth of 7.7 percent in the previous year. The ratio of remittances to GDP declined to 26.8 percent in 2016/17 from 29.6 percent in the previous year. The gross foreign exchange reserves increased by 3.9 percent to NPR 1079.52 billion in mid-July 2017, from NPR 1039.21 billion a year ago. Of the total foreign exchange, reserves held by NRB increased by 4.5 percent to NPR 927.27 billion and reserves of banks and financial institutions remained almost same to NPR 152.26 billion. With this, NRB now holds 85.9 percent of total foreign exchange reserves. The foreign exchange holding of the banking sector is sufficient to cover the prospective merchandise imports of 13.2 months, and merchandise and services imports of 11.4 months.

In 2016/17, the current account slipped into a deficit of NPR 10.13 billion as against a significant level of surplus of NPR 140.42 billion in the previous year. The surge in imports relative to exports accounted for a deficit in the current account. Similarly, the overall balance of payments (BOP) recorded a surplus of NPR 82.15 billion in 2016/17 compared to a surplus of NPR 188.95 billion in the previous year. In 2016/17, Nepal received capital transfer of NPR 13.36 billion and Foreign Direct Investment (FDI) inflow of NPR 13.50 billion. In the previous year, such transfer and FDI inflow were NPR 16.99 billion and NPR 5.92 billion respectively.

Highlights of Major Policy Announcement

The monetary policy announced for the fiscal year 2017/18 focuses on increasing investment in priority sector and has given top priority to encourage banks and financial institutions for funneling credit towards agriculture, energy, tourism, small and medium scale industries as well as to other productive enterprises. It aims to keep the interest rate at the desired level and contain interest rate volatility in order to promote financial stability and optimally allocate financial resources. Monetary policy has given utmost priority to expand bank network in all local levels given the increasing need for widening financial access in the context of state restructuring.

The review period witnessed the continuation of the main policy stances in terms of cash reserve ratios (CRR) of BFIs, productive sector lending, and enhanced financial access, among others. Commercial banks are now required to allocate minimum 25 percent of total credit to priority sector, which include minimum of 10 percent to agriculture, 5 percent to hydropower, 5 percent to tourism and remaining to other priority sectors. However, the existing provision for development banks and finance companies to extend minimum 15 percent and 10 percent of their total credit to the priority sector is kept unchanged.

Similarly, the deprived sector lending requirement by the commercial banks, development banks and finance companies has been kept unchanged at 5 percent, 4.5 percent, and 4 percent respectively. However, the provision requiring commercial banks to invest minimum 2 percent of the loans to the deprived sector directly has been made optional.

The interest rate corridor, which has been in operations since 2016/17, has been improved. A provision of taking two weeks' deposit collection rate as a lower bound of the corridor has been kept unchanged. However, such deposit collection rate has been fixed at 3 percent with the expectation that it will help in minimizing interest rate volatility.

The maximum loan-to-value (LTV) ratio for real estate loan is lowered to 40 percent from the existing 50 percent for Kathmandu valley with the expectation that it will promote decentralized development in the process of implementing federalism. Similarly, LTV ratio for residential housing loan is lowered to 50 percent for Kathmandu valley and the maximum LTV ratio for personal vehicle loan has been increased to 65 percent from the existing level of 50 percent.

The facility that allows the BFIs to deduct 50 percent of outstanding loan in specified sectors while computing CCD ratio has been phased out and commercial banks will be required to bring down the ratio of institutional deposits to 45 percent of total deposit by mid-July 2018.

Establishment of Real Time Gross Settlement (RTGS) and formulation of National Small Value Payment Strategy has also been announced through current monetary policy.

A moratorium has been imposed to receive the applications for opening MFIs for the time being. However, MFIs has been encouraged to expand their branches in districts of mountains and hilly regions, having low financial access and comparatively high poverty.

KEY ECONOMIC INDICATORS: NEPAL

Indicator	Unit	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17 P
I. Real Sector														
Per Capita GDP	US$	328	350	410	491	497	610	714	702	708	725	766	746	853
Real GDP Growth (at producers price)	%	3.5	3.4	3.4	6.1	4.5	4.8	3.4	4.8	4.1	6	3.3	0.4	7.5
GDP (Market Price)	Billion US$	8.3	9.0	10.3	12.5	12.9	16.0	18.9	18.9	19.2	20	21.31	21.13	24.47
Agriculture	% of GDP	35.2	33.6	32.5	31.7	33.0	35.4	37.1	35.2	33.9	32.6	31.8	31.7	30.0
Industry	% of GDP	17.1	16.7	16.6	16.8	15.9	15.1	14.9	15.0	15.2	14.9	14.9	14	14.0
Services	% of GDP	47.7	49.7	50.9	51.5	51.2	49.5	48.0	49.8	51.0	51.5	53.3	54.3	56.0
Investment	% of GDP	26.5	26.9	28.7	30.3	31.7	38.3	38.0	34.5	37.0	41	39.1	33.7	42.5
National Savings	% of GDP	28.4	29.0	28.6	33.2	35.9	35.9	37.0	39.5	40.7	45.7	43.9	40	43.8
Headline Inflation	%	4.5	8.0	6.4	7.7	13.2	9.6	9.6	8.3	9.9	9.1	7.2	9.9	4.5
- Food Inflation	%	4.0	7.8	7.2	10.1	16.7	15.1	14.7	7.7	9.6	11.6	9.6	10.9	1.9
- Non-Food Inflation	%	5.1	8.1	5.5	5.1	9.5	4.9	5.4	9.0	10.0	6.8	5.2	9.2	6.5
II. Fiscal Sector														
Revenue Collection	Billion US$	0.98	1.00	1.25	1.66	1.87	2.40	2.75	3.03	3.40	3.63	4.08	4.54	5.74
Fiscal Deficit (excluding grants)	% of GDP	-5.5	-5.9	-6.3	-6.59	-7.71	-6.69	-6.99	-6.19	-3.28	-2.58	-2.18	-2.7	-4.24
Fiscal Deficit (including grants)	% of GDP	-3.1	-3.8	-4.1	-4.10	-5.04	-3.45	-3.63	-1.50	-1.84	-0.71	-2.20	-2.2	-4.8
Public Debt*	% of GDP	53.3	51.6	45.7	46.10	40.80	33.90	32.50	34.30	32.20	28.20	25.4	27.7	26.8
- of which foreign currency	% of GDP	37.3	35.8	29.8	30.60	27.90	21.50	19.00	20.20	19.70	17.70	16.10	17.3	15.9
- domestic debt#	% of GDP	16.1	15.9	15.9	15.40	15.00	12.40	13.50	14.00	12.50	10.50	9.2	10.40	10.9
- debt servicing^	% of total revenue	28.2	28.3	26.1	21.15	18.81	15.96	15.10	14.45	16.51	15.12	18.20	15.9	10.9
III. External Sector														
Exports (f.o.b)	Billion US$	0.83	0.85	0.89	0.95	0.90	0.85	0.95	1.00	0.98	1.03	0.99	0.7	0.69
Imports (f.o.b.)	Billion US$	2.02	2.37	2.66	3.35	3.63	4.95	5.37	5.61	6.22	7.09	7.66	7.11	9.32
Trade Deficit	Billion US$	-1.19	-1.52	-1.77	-2.40	-2.72	-4.09	-4.42	-4.60	-5.25	-6.33	-6.93	-6.61	-8.63
Remittances	Billion US$	0.91	1.35	1.42	2.19	2.73	3.13	3.51	4.41	4.93	5.53	6.2	6.25	6.55
Current Account Balance	Billion US$	0.16	0.20	0.05	0.36	5.39	-0.37	-0.18	0.91	0.63	0.91	1.09	1.32	-0.10
Current Account Balance	% of GDP	1.91	2.27	0.45	3.02	4.19	-2.36	-0.94	4.50	3.40	4.57	5.11	6.24	-0.39
Total Foreign Investment	Million US$	1.89	-6.49	5.14	4.52	23.79	38.99	89.96	112.46	102.00	32.50	44.1	55.7	127.14
- Foreign Direct Investment	Million US$	1.89	-6.49	5.14	4.52	23.79	38.99	89.96	112.46	102.00	32.50	44.1	55.7	127.14
- Portfolio Investment	Million US$	-	-	-	-	-	-	-	-	-	-	-	-	-
External Debt and Forex Liabilities	Billion US$	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
External Debt and Forex Liabilities	% of forex earnings	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Short-term debt to GDP	%	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
External Debt Servicing Ratio		NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Exchange Rate@	Per US$	70.35	74.1	64.85	68.5	78.05	74.44	70.95	88.6	95	96.2	101.44	107.03	103.28
Foreign Exchange Reserves	Billion US$	1.85	2.23	2.55	2.64	3.67	3.61	3.83	4.96	5.61	6.94	8.15	9.74	10.16
IV. Monetary & Capital Market														
Monetary **														
Growth Rate of M_1	y-o-y	6.6	14.2	12.2	21.6	27.3	11.1	4.8	18.6	14.4	17.7	19.7	18.5	13.1
Growth Rate of M_2	y-o-y	8.3	15.6	14.0	25.2	27.3	16.7	12.2	22.7	16.4	19.1	19.9	19.5	15.5
Growth Rate of M_3	y-o-y	7.9	15.7	13.9	25.0	29.4	15.3	11.6	22.3	16.7	18.4	19.8	19.4	13.9
Weighted Avg Lending Rate	%	NA	NA	NA	NA	NA	NA	NA	12.4	12.1	10.55	9.62	8.86	11.33
Credit growth to Private Sector	y-o-y	14.2	14.4	12.3	24.3	29.0	17.9	13.9	11.3	20.2	18.7	19.8	23.7	18.2
Capital Market														
Stock Market (Price Index)		286.7	386.8	683.9	963.4	749.1	477.7	362.9	389.7	518.3	1036.1	961.2	1718.2	1582.7
Market Capitalization (as leading stock mkt)	Domestic Currency in	61.4	96.8	186.3	366.2	512.9	376.9	323.5	368.3	514.5	1057.2	989.4	1890.13	1856.8
Market Capitalization (as leading stock mkt)	% of GDP	10.4	14.8	25.6	44.9	51.9	31.6	23.7	24.1	30.4	54.4	46.6	84	71.4
Market Capitalization (as leading stock mkt)	Billion US$	0.856	1.344	2.654	5.658	6.698	5.077	4.489	4.563	5.869	10.793	9.939	16.05	17.48
V. Banking Sector Indicators														
Capital adequacy ratio	%	NA	NA	NA	NA	7.2	9.6	10.6	11.5	13.2	11.3	12.92	11.52	14.07
Non performing loans	%	NA	NA	NA	NA	3.6	2.5	3.2	2.6	2.6	3.8	3.33	2.19	1.81
Profitability (R.O.E.)	%	NA	NA	NA	NA	NA	NA	NA	11.4	13.2	20.11	22.72	22.8	17.71
Profitability (R.O.A.)	%	NA	NA	NA	NA	NA	NA	NA	1.24	1.44	1.59	1.70	1.86	1.82

1 Fiscal year in Nepal starts at mid - July

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

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

4 Foot Notes:

* = Includes both gross domestic and external borrowing

= Gross domestic debt .

^ = Includes both domestc and external debt servicing.

@ = Represents the exchange rate of the last day of the fiscal year(middle of buying and selling)

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

P= Provisional Figures

¤=Mid-Jan 2017

Macroeconomic Surveillance Indicators of Nepal

S.N.	Core Indicators	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
1	CA as a percentage of GDP	4.6	4.0	2.4	2.7	2.0	2.2	-0.1	2.9	4.2	-2.4	-0.9	5.0	3.4	4.6	5.1	6.2	-0.4
2	External debt as percentage of GDP	-	47.9	45.4	43.4	37.3	35.8	29.8	30.6	28.0	21.5	19.0	20.3	19.7	17.7	16.1	17.0	15.8
3	Reserve as percentage of Import	51.2	61.6	61.9	68.2	60.1	64.4	56.1	62.5	65.5	47.3	47.3	73.2	71.3	71.5	79.6	100.2	81.8
4	National debt as percentage of GDP	-	63.9	61.9	59.4	52.1	49.5	43.4	44.3	40.3	33.5	32.1	33.9	31.9	27.9	25.4	27.4	26.7
5	Domestic credit as percentage of GDP	42.6	45.1	46.4	46.8	48.4	50.1	50.2	54.2	56.7	54.9	66.6	65.1	68.8	66.9	71.7	80.3	83.0
6	Fiscal deficit as percentage of GDP	-	6.4	5.6	5.1	5.5	5.9	6.3	6.6	7.7	6.7	7.0	6.2	3.5	3.6	5.8	5.2	13.3
7	Inflation (12 months average)	2.4	2.9	4.7	4.0	4.5	8.0	5.9	6.7	12.6	9.6	9.6	8.3	9.9	9.1	7.2	9.9	4.5

 # As per the decision of the 34th SAARCFINANCE Group Meeting, the Chair Country to include the core list of Macroeconomic Surveillance indicators in SAARCFINANCE e-Newsletter on half-yearly basis

PAKISTAN

RECENT OVERALL MACROECONOMIC DEVELOPMENTS

The end year performance for FY17 marked a continued acceleration in the pace of economic expansion by registering the highest real GDP growth for the last ten years.[3] The real GDP growth maintained its upward trajectory, expanding by 5.3 percent during FY17 as compared to 4.5 percent in FY16. Accommodative monetary policy with historically low interest rate, increase in development spending and work on various infrastructure projects, improved security and energy supply situation continued to support expansion in real economic activity.

Sectoral performances show that the main impetus to growth came from agriculture sector registering 3.5 percent growth in FY17 compared to 0.3 percent last year. On industrial side, despite improved performance of Large-scale Manufacturing (LSM) and steady construction activity, the pace of increase in industrial value addition slowed down slightly with 5.0 percent growth in FY17 compared to 5.8 percent in FY16. The services sector maintained its growth momentum, growing by 6.0 percent as compared to 5.5 percent in last year. With this, the share of services sector steadily increased to almost 60 percent in real GDP. From the demand side, the major contribution came from a surge in domestic consumption followed by a moderate increase in investment.

On external front, a surge in imports together with decline in exports and remittances resulted in widening of current account deficit to US$ 12.1 billion (4 percent of GDP) in FY17, from US$ 4.9 billion (1.7 percent of GDP) in FY16. While an increase in capital and raw material imports bodes well for the future productive capacity of the economy, the persistent increase in imports for consumption purposes remains a source of concern. These trends have led to increased reliance on external borrowings and pressure on foreign exchange reserves.

Favorable macroeconomic policies continued to support expansion in the economy. The impetus to economic activity came from an accommodative monetary policy as well as continuation of tax incentives to support exporting industries, agriculture and private investment.[4] The low interest rate environment together with easing energy constraints, improving business confidence, and steady progress on power and infrastructure projects under CPEC, resulted in an unprecedented expansion in private sector credit, especially for fixed investment during FY17.

1Financial year for Pakistan commences on 1st July and ends on June 30th every year.

[2] For instance, reduction in duties on import of machinery, lower sale tax on fertilizer, tax credit for investment and employment generation, and zero-rating facility for export-oriented industries

While inflation remained lower than the target for the third consecutive year, it trended upward. The average CPI inflation rose to 4.2 percent during FY17 compared to 2.9 percent in FY16. The increase in inflation during FY17 was fairly broad-based. Higher inflation in FY17 was an outcome of both an increase in domestic demand and temporary issues in the supply chain which led to higher food inflation. The pick-up in domestic demand was particularly reflected in gradually rising core inflation: the NFNE rose by 5.2 percent in FY17 compared to 4.2 percent in FY16. Stable exchange rate and a decline in energy prices (despite an increase in international oil prices) helped to contain inflation well below the target of 6.0 percent.

On the fiscal side, slower growth in revenue collection and sharp increase in expenditure resulted in a fiscal deficit of 5.8 percent of GDP during FY17 against 4.6 percent in FY16. The higher financing requirement of the government was largely met through bank borrowing with sizeable financing from external sources, most of which was mobilized towards the end of the fiscal year.

The real GDP growth is projected to come close to the 6.0 percent target for FY18. The real economic activity is expected to continue benefitting from accommodative macroeconomic policies, infrastructure and energy related projects, and consistently improving domestic energy supply and security situation. The agriculture sector is expected to repeat its performance seen last year with major contribution expected from the crop sector, especially cotton and rice.

The industry, largely LSM, construction and electricity generation and electricity and gas distribution, will continue to benefit from the ongoing work on infrastructure and energy related projects. Thus, the expected improved performance of the agriculture and industrial sectors will spillover to the services sector in FY18 as well.

With real economic activity gaining further traction, the import demand, both for machinery and raw materials as well as consumer goods, is expected to remain strong during FY18. On the other hand, growth in exports and workers' remittances is expected to recover. The exports are expected to benefit from a recovery in global commodity prices and ease in energy constraints. This is particularly indicated by a double-digit growth in exports recorded during the first two months of FY18. However, the pace of increase in exports and remittances is likely to be slower compared to increase in imports. Therefore, the current account deficit is projected to remain around last year's level, that is, in the range of 4.0 to 5.0 percent of GDP.

The FY18 budget envisages fiscal deficit at 4.1 percent of GDP. Given the capital spending requirement of the government for completing various projects under CPEC and likely increase in provincial spending during the election year, achieving the target 4.1 in FY18 could be challenging. Moreover, any shortfall in revenue may keep the fiscal deficit close to FY17 level.

Notwithstanding expected increase in domestic demand, average CPI inflation is projected to remain in the range of 4.5 to 5.5 percent during FY18. Sufficient food stocks (wheat, rice, and sugar) in the country, weak domestic oil prices and stable exchange rate are expected to offset the impact of expected further rise in domestic demand. Moreover, as per IMF projections, the commodity prices, palm oil and sugar, are also likely to fall in international market over the next few months.

Thus, the assessment shows the economy is likely to continue to expand with low and stable inflation in FY18. Encouraging trends in private sector credit indicate underlying dynamics in real economic activity. However, maintaining this momentum going forward would largely depend on addressing emerging challenges in external and fiscal accounts.

HIGHLIGHTS OF MAJOR POLICY ANNOUNCEMENT

Monetary Policy Decisions are issued every alternate month in, July, September, November, January, March and May. They contain brief analysis of economic conditions and rationale behind the monetary policy decision.

During the period in review, the State Bank of Pakistan maintained its policy rate 5.75 percent.

KEY ECONOMIC INDICATORS: PAKISTAN

KEY ECONOMIC INDICATORS OF PAKISTAN											
	Unit	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17*
I. Real Sector												
Per Capita GDP	US$	980	1,052	1,024	1,071	1,273	1,320	1,332	1,388	1,512	1,529	1,627
Real GDP Growth	%	5.5	5.0	0.4	2.6	3.6	3.8	3.7	4.1	4.1	4.5	5.3
Nominal GDP (MP)	Billion US$	152.4	169.9	167.9	177.2	213.6	224.6	231.1	244.6	270.5	278.8	304.0
Agriculture	% of GDP	21.8	22.5	22.7	23.3	25.1	23.7	23.8	23.7	23.8	23.2	23.1
Industry	% of GDP	20.0	21.7	19.2	19.7	20.5	21.3	20.2	20.0	19.1	18.2	17.9
Services	% of GDP	52.8	53.1	53.1	52.8	50.9	51.6	52.0	51.7	52.2	52.8	52.8
Investment	% of GDP	22.9	21.6	19.0	15.4	14.1	14.9	14.6	14.6	15.5	15.6	15.8
National Savings	% of GDP	17.8	13.3	13.2	13.2	14.2	12.8	13.9	13.4	14.5	14.3	13.1
Headline Inflation (yoy)	%	7.8	12.0	17.0	10.1	13.7	11.0	7.4	8.6	4.5	2.9	4.2
- Food Inflation (yoy)	%	10.3	17.6	23.1	12.9	18.0	11.0	7.1	9.0	3.5	2.1	3.8
- Non-Food Inflation (yoy)	%	6.0	7.9	13.4	8.2	10.7	11.0	7.5	8.3	5.3	3.4	4.4
- Core inflation (yoy)	%	5.9	8.4	11.4	7.6	9.4	10.6	9.6	8.3	6.5	4.2	5.2
II. Fiscal Sector												
Revenue Collection	Billion US$	21.4	23.9	23.5	24.8	26.3	28.8	30.8	35.4	38.7	42.6	47.1
Fiscal Deficit	% of GDP	4.1	7.3	5.2	6.2	6.5	8.8	8.2	5.5	5.3	4.6	5.8
Public Debt	% of GDP	53.0	58.4	58.6	60.6	58.9	63.3	63.9	63.5	63.3	67.6	67.2
- of which foreign currency	% of GDP	27.5	29.7	32.3	35.4	31.2	30.9	27.0	25.6	24.2	26.6	27.3
- domestic debt	% of GDP	28.3	30.8	29.2	31.3	32.9	38.1	42.5	43.3	44.4	46.8	46.6
Public Debt Servicing	% of total revenue	36.7	37.2	43.9	40.5	36.0	44.4	47.3	45.0	39.9	33.4	35.1
III. External Sector												
Exports (f.o.b)	Billion US$	17.0	19.1	17.7	19.3	24.8	24.7	24.8	25.1	24.1	22.0	21.7
Imports (c.i.f)	Billion US$	30.5	40.0	34.8	34.7	40.4	40.4	40.2	41.7	41.4	41.3	48.6
Trade Balance	Billion US$	-13.6	-20.9	-17.1	-15.4	-15.6	-15.7	-15.4	-16.6	-17.3	-19.3	-26.9
Remittances	Billion US$	5.5	6.5	7.8	8.9	11.2	13.2	13.9	15.8	18.7	19.9	19.3
Current Account Balance	Billion US$	-6.9	-13.9	-9.3	-3.9	0.2	-4.7	-2.5	-3.1	-2.8	-4.9	-12.1
Current Account Balance	% of GDP	-5.0	-9.0	-6.0	-2.0	0.0	-2.1	-1.1	-1.3	-1.0	-1.7	-4.0
Total Foreign Investment	Million US$	8,428	5,447	2,688	2,087	1,980	709	1,581	4,439	2,830	1,976	2,161
- FDI in Pakistan	Million US$	5,140	5,410	3,720	2,151	1,635	821	1,456	1,700	988	2,305	2,412
- Portfolio Investment in Pakistan	Million US$	3288	37	-1032	-64	345	-112	125	2739	1842	-329	-251
External Debt and Forex Liabilities	Billion US$	40.3	46.2	52.3	61.6	66.4	65.5	60.9	65.3	65.2	73.9	83.0
EDL/FEE	Percent	149.8	151.7	168.6	182.3	156.9	152.6	134.0	141.1	133.9	156.2	178.3
Short-term external debt	% of GDP	0.1	0.0	0.4	0.5	0.3	0.2	0.1	0.3	0.4	0.6	0.3
External Debt Servicing Ratio	% of GDP	1.9	1.9	2.8	2.6	1.8	2.0	2.8	2.9	2.0	1.9	2.7
Exchange Rate (average)	Per US$	60.6	62.6	78.6	83.9	85.6	89.3	96.9	102.9	101.5	104.4	104.8
Foreign Exchange Reserves	Billion US$	16.6	11.6	12.8	16.7	18.2	15.3	11.0	14.1	18.7	23.1	21.4
IV. Monetary & Capital Market												
Growth Rate of M1	y-o-y	16.0	4.6	9.8	14.1	17.5	13.9	19.7	15.1	16.6	16.1	15.3
Growth Rate of M2	y-o-y	18.9	11.9	9.5	13.0	16.7	13.4	16.9	12.6	12.8	14.5	13.9
Growth Rate of M3	y-o-y	16.3	10.9	12.5	13.7	16.3	12.7	17.3	12.1	12.8	13.1	12.5
Weighted Avg Lending Rate	%	10.3	12.8	14.3	13.2	14.3	13.1	10.6	10.4	8.2	7.2	7.1
Credit growth to Private Sector	%	17.3	16.5	0.7	3.9	4.0	7.5	-0.2	12.2	5.9	11.2	16.8
Stock Market (Price Index)	1991=1000	13,772.5	12,289.0	7,162.2	9,721.9	12,496.0	13,801.4	21,005.7	29,652.5	34,398.9	37,783.5	46,565.3
Market Capitalization (as leading stock mkt)	PKR Billion	4,019.4	3,777.7	2,120.7	2,732.4	3,288.7	3,518.1	5,154.7	7,022.7	7,421.0	7,588.5	9,522.4
Market Capitalization (as leading stock mkt)	% of GDP	43.5	35.5	16.1	18.4	18.0	17.5	23.0	27.9	27.0	26.1	29.9
Market Capitalization (as leading stock mkt)	Billion US$	66.3	60.3	27.0	32.6	38.4	39.4	53.2	68.3	73.1	72.7	90.9
V. Banking Sector Indicators												
Capital adequacy ratio (CAR)	%	12.3	12.2	13.5	13.9	14.1	15.1	15.5	15.1	17.2	16.1	15.6
Non-performing loans	% Total Loans	7.6	10.5	11.5	12.9	15.3	15.9	14.8	12.8	12.4	11.1	9.3
Before Tax Profitability(R.O.E.)	%	22.6	11.4	16	17.7	21.8	25.9	18.5	23.5	27.5	24.9	21.9
Before Tax Profitability (R.O.A.)	%	2.2	1.2	1.7	1.8	2.1	2.4	1.7	2.1	2.7	2.2	1.8

Source: Pakistan Bureau of Statistics; State Bank of Pakistan, Ministry of Finance. Note: GDP in dollar terms is calculated using average exchange rate during the year; *National Accounts are provisional estimates for FY17

Definitions:

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

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

*** The ratio of debt service (interest and principal payments due, excluding short-term debt servicing of banks) during a year, expressed as a percentage of current receipts minus official transfers.

Fiscal deficit = total revenue - total expenditure: EDL/FEE: External Debt and Liabilities (EDL) as a percentage of Foreign Exchange Earnings (FEE).

Macroeconomic Surveillance Indicators of Pakistan

Year	Fiscal Deficit as % of GDP	Inflation- 12 month moving average	Domestic Credit % of GDP	Current Account Balance as a percentage of GDP	External Debt as a percentage of GDP	Reserves as a percentage of Import	National Debt % of GDP
2000	5.40	3.58	34.05				73.29
2001	4.30	4.41	32.36	0.41	49.56	1.99	78.55
2002	4.30	2.85	31.11	3.54	43.47	5.52	72.96
2003	3.70	3.10	28.64	4.43	37.41	10.09	68.18
2004	2.30	4.57	30.68	1.68	32.54	9.24	61.57
2005	3.30	9.28	32.61	(1.28)	29.65	6.22	57.59
2006	4.30	7.92	33.09	(3.64)	27.27	5.22	53.74
2007	4.40	7.77	33.45	(4.51)	26.38	6.40	52.45
2008	7.30	12.00	37.81	(8.16)	29.58	2.92	57.60
2009	5.20	17.03	35.16	(5.51)	32.21	3.45	58.58
2010	6.20	10.10	35.19	(2.22)	35.34	4.99	60.61
2011	6.50	13.66	32.36	0.10	31.21	4.96	58.93
2012	8.80	11.01	35.47	(2.07)	30.84	3.21	63.34
2013	8.20	7.36	38.39	(1.08)	26.91	1.80	63.84
2014	5.50	8.62	37.24	(1.28)	25.58	2.62	63.54
2015	5.30	4.53	38.15	(1.03)	24.16	3.92	63.33
2016	4.60	2.86	40.61	(1.74)	26.59	5.28	67.61
2017P	3.80	4.15	43.87	(3.98)	27.29	3.99	67.19

P: Provisional

 # As per the decision of the 34th SAARCFINANCE Group Meeting, the Chair Country to include the core list of Macroeconomic Surveillance indicators in SAARCFINANCE e-Newsletter on half-yearly basis

SRI LANKA

RECENT OVERALL MACROECONOMIC DEVELOPMENTS

Real Sector

The Sri Lankan economy expanded at a relatively slower pace of 3.8 per cent, in real terms, during the first quarter of 2017 compared to 5.1 per cent growth recorded during the corresponding period of the previous year. The growth of the economy during this period was mainly driven by the expansion in Industry and Services activities. While the substantial expansion in construction related activities underpinned the growth in Industry activities, growth of the Services sector was largely attributable to the expansion in financial services, wholesale and retail trade, transportation and other personal services. However, the contraction of Agriculture related activities, resulting from inclement weather conditions, weighed negatively on the expansion of economic activity. Unemployment declined marginally to 4.1 per cent in the first quarter of 2017, from 4.2 per cent in the corresponding quarter of 2016, but unemployment among females recorded an increase with high unemployment levels among educated females.

Inflation

Consumer price inflation accelerated during the first quarter of 2017 reaching a peak in March 2017. The impact of supply shortages stemming from unfavourable weather conditions, changes made to the tax structure including an increase in the applicable rate of Value Added Tax (VAT) and the removal of several exemptions relating to VAT and the Nation Building Tax (NBT) were the key contributors to the increase in consumer price levels. Meanwhile, core inflation also indicated an uptick in the first quarter of 2017. Nevertheless, inflation started to moderate from April 2017 and remained within the desired levels by the end of the second quarter of 2017. In line with the trend in headline inflation, core inflation also started to moderate from April 2017. Further, as a consequence of the expansion in credit flows from the banking system to the public and private sectors, monetary aggregates also expanded during the year at a pace that was higher than envisaged.

Monetary Sector

During 2017, monetary policy, which was tightened since end 2015 to prevent the emergence of demand driven inflationary pressures, was further tightened by the Central Bank by increasing policy interest rates by 25 basis points in March 2017. The tight monetary policy stance maintained in 2017 signaled the Central Bank's intention to maintain inflation within the range of 4-6 per cent over the medium term, within its increasingly forward looking monetary policy framework that emphasises the management of inflation expectations. It is envisaged that inflation will stabilise within the range of 4-6 per cent over the medium term with the proactive implementation of demand management policies. Following the tightening of the monetary policy stance of the Central Bank, market interest rates continued to rise in 2017. The yields on government securities increased during the first four months of 2017, although there was a notable decline in yields thereafter reflecting improvements in government finances and market sentiment. With the transmission of the impact of monetary policy tightening, deposit and lending rates of commercial banks also increased. Responding to high nominal interest rates and positive real interest rates, a gradual deceleration was observed in private sector credit growth in the second quarter of 2017.

External Sector

In the external sector, despite an increase in export earnings, the trade deficit widened during the first half of the year as a result of the notable increase in import expenditure on account of higher imports, particularly fuel, gold and rice. Reflecting the expansion in trade and primary income account deficits, the moderation in tourist earnings and the decline in workers' remittances, the current account deficit widened during this period. In the financial account, the foreign exchange outflows in the first quarter were offset by the higher volumes of inflows in the second quarter of 2017. Outflows from the financial account in the first quarter were primarily due to withdrawal of foreign investments from the government securities market. However, a reversal of this trend was witnessed in the following quarter with the increased levels of foreign investment in both government securities and portfolio investments, signalling a boost in investor confidence. The proceeds of the eleventh International Sovereign Bond (ISB) and the syndicated foreign loan facility also strengthened the financial account. Reflecting these improvements in the external sector, the Balance Of Payments (BOP) registered an overall surplus of US dollars 1,563 million by end June 2017. These developments also dampened the depreciation pressure on the Sri Lankan rupee and enabled the Central Bank to absorb around US dollars 1.3 billion from the domestic foreign exchange market, on a net basis, during the period from March 2017 to end August 2017, facilitating the buildup of the country's international reserves to US dollars 7.7 billion as at end August 2017. Accordingly, the Sri Lankan rupee, which depreciated by 2.6 per cent against the US dollar by end July of 2017 started to appreciate since then resulting in an overall deprecation of 2.0 per cent during the period up to end August 2017. At the same time, real effective exchange rate indices also depreciated but remained above 100 suggesting the need for further depreciation in the exchange rate.

Fiscal Sector

The government's commitment to the continuation of the revenue based fiscal consolidation process, which entails several policy measures to enhance revenue and rationalise recurrent expenditure, while maintaining public investment at a considerable level, is commendable. Reflecting the impact of revenue enhancement measures, government revenue as a percentage of estimated GDP increased to 6.7 per cent in the first half of 2017 from 6.0 per cent in the corresponding period of 2016. Key contributors to this positive performance were the VAT, NBT, excise duty on petroleum and motor vehicles, Ports and Airports Development Levy (PAL) and Special Commodity Levy (SCL) which yielded higher tax revenue from goods and services. Revenue from income taxes also increased due to upward revision of the Economic Service Charge (ESC) and the Pay as You Earn (PAYE) tax during this period amidst the decline in revenue generated from corporate and non-corporate income taxes and the Withholding Tax (WHT). Total expenditure and net lending as a percentage of estimated GDP also increased to 9.3 per cent during the first half of 2017 compared to 8.7 per cent in the corresponding period of 2016. Reflecting these developments, the overall budget deficit declined to 2.6 per cent of estimated GDP during the first half of 2017, in comparison to 2.7 per cent in the same period of the previous year. Going forward, the implementation of the new Inland Revenue Act, which aims at broadening the tax base, simplifying and rationalizing the income tax structure and improving the direct tax collection, is expected to augment the government's revenue generation efforts.

Financial Sector

The financial sector continued to expand during the first eight months of 2017 with all major sectors remaining sound. The banking system continued to expand while maintaining capital and liquidity well above the regulatory minimum requirements, thereby ensuring the resilience of the sector. While the asset base of the banking sector continued to grow, a marginal deterioration was observed in asset quality, as reflected in the increase in the non-performing loans (NPL) ratio. The profitability of the sector improved during this period mainly due to higher net interest income and significant revaluation gains. The banking sector also continued to contribute to enhanced financial inclusion through the active expansion of the branch and ATM networks during this period. Moreover, implementation of the Basel III framework would further enhance the resilience of the banking sector. Although the asset base of non-bank financial institutions (NBFIs) expanded, it expanded at a slower pace compared to the performance in 2016. Lending activities of the sector were weighed down by macroprudential policy measures, while asset quality showed signs of stress although remaining at manageable levels. Other sub sectors of the financial sector such as the insurance and the superannuation fund sectors recorded a positive performance, while the unit trust sector contracted. Amidst further strengthening of capital regulations, the stock broker sector showed a mixed performance during the first eight months of 2017. While activities of financial institutions engaged in microfinance expanded, rural poverty and indebtedness remained key concerns though the latest Household Income and Expenditure Survey (HIES:2016) showed positive trends in terms of incomes, poverty and the Gini Coefficient. Meanwhile, the domestic money market and foreign exchange market remained sufficiently liquid during the year. The corporate debt securities market performed moderately during the first half of 2017. Some improvement was observed in the share price indices, market capitalisation and foreign inflows to the CSE thus far during the year, although domestic investor activity remained weak. The efficiency and safety of the national payment system continued to be enhanced during this period to effectively cater to the payment needs of institutions, corporates and individuals.

HIGHLIGHTS OF MAJOR POLICY ANNOUNCEMENT

24 March 2017 - The Standing Deposit Facility Rate (SDFR) and Standing Lending Facility Rate (SLFR) of the Central Bank were increased by 25 basis points each to 7.25 per cent and 8.75 per cent, respectively.

Financial Sector

Commercial Banks

10 January 2017 - A consultation paper was issued on 'Basel III Leverage Ratio Framework for Licensed Banks'.

13 January 2017 - Banking Act Directions No. 01 of 2017 were issued to licensed banks informing the Loan to Value ratio (LTV) for credit facilities granted by the licensed banks for the purpose of purchase or utilisation of vehicles commencing 16 January 2017.

01 February 2017 - A Circular was issued to licensed banks informing the national policy approved in the Budget 2017 in respect of the following;

- credit to identified sectors such as small and medium enterprises, exports, tourism activities, agriculture, youth and women
- enhancing banking services

15 February 2017 - A Direction on LTV for credit facilities in respect of motor vehicles was issued amending and replacing some interpretations in the Direction 5 of the Banking Act Directions No. 01 of 2017.

22 March 2017 - A determination was issued to licensed banks amending the pawning conditions issued on 07 September 1998.

26 May 2017 - A Circular was issued permitting licensed banks to charge interest rates on credit products and penal interestas per their policies, provided banks make adequate disclosures.

29 May 2017 - A Circular was issued to licensed banks informing that they may grant the concessions on a case by case basis to the borrowers affected by the recent floods, adverse weather conditions and connected circumstances in terms of the national policy adopted to facilitate rehabilitation of business and normal operations of such borrowers.

31 May 2017 - A Direction on LTV for credit facilities in respect of motor vehicles was issued amending and replacing Directions 5.1 and 5.4 of the Banking Act Directions No. 02 of 2017.

Licensed Finance Companies (LFCs) and Specialised Leasing Companies (SLCs)

13 January 2017 - The Directions issued to LFCs and SLCs on LTV for credit facilities in respect of motor vehicles were revised in line with the National Budget 2017.

17 February 2017 - Amendments were issued to the LTV Direction issued on 13 January 2017 as the vehicle categories were mapped to vehicle classes given by the Department of Motor Traffic.

23 February 2017 - A Direction was issued to increase the minimum core capital for LFCs on a staggered basis.

30 May 2017 - LFCs and SLCs were allowed to grant the following concessions to borrowers which have been affected by floods, adverse weather conditions and connected circumstances in terms of the national policy adopted to facilitate rehabilitation of businesses and normal operations of such borrower;

- grant a moratorium of not exceeding 3 months in respect of all performing credit facilities
- waive off the penal interest on overdue loans of the borrowers under the above moratorium and non-performing borrowers as affected above who are willing to settle their loans on rescheduled terms to recommence/restructure their business activities

02 June 2017 - Amendments were made to the LTV Direction issued on 17 February 2017 as the vehicle categories were mapped to vehicle classes given by the Department of Motor Traffic.

Foreign Exchange Management

07 March 2017 - Permission was granted to Sri Lankans, resident outside Sri Lanka on Permanent Residency visa (PR) in another country and individuals who have obtained dual citizenship in Sri Lanka and any other country, to obtain loans in foreign currency and in Sri Lanka Rupees, from the Domestic Banking Units (DBUs) of authorised dealers.

- Permission was granted to repay such foreign currency or Sri Lanka rupee loans by utilising funds available in Non-Resident Foreign Currency (NRFCs) accounts, Resident Foreign Currency (RFCs) accounts and Securities Investment Accounts (SIAs) of the same account holder and transfer funds from Foreign Currency Loan Accounts (FCLAs) to Foreign Exchange Earners' Accounts (FEEAs) for the

		purpose of acquisition/ construction/ development and renovation of a residential property.
25 May 2017	-	New Directions on NRFCs, RFCs, FEEAs and Resident Non-National Foreign Currency (RNNFCs) accounts were issued to the National Savings Bank (NSB) incorporating relaxations made so far with respect to such accounts opened and maintained with authorised dealers.
23 June 2017	-	Permission was granted to authorised dealers on considering funds received from exchange companies/ houses, as inward remittances received from abroad through the banking system for the purpose of permitted credits to RFCs, NRFCs, SIAs and Special Foreign Investment Deposit Accounts (SFIDAs).

KEY ECONOMIC INDICATORS: SRI LANKA

	Unit	2010	2011	2012	2013	2014	2015	2016 (a)	2017 H1 (a)
I. Real Sector									
Per Capita GDP (b) (c)	US$	2,744	3,125	3,351	3,609	3,821 (d)	3,843 (a)(d)	3,835	n.a.
Real GDP Growth (b)	%	8.0 (e)	8.4	9.1	3.4	5.0 (d)	4.8 (a)(d)	4.4	4.0
GDP (MP) (b)	Billion US$	56.7	65.3	68.4	74.3	79.4 (d)	80.6 (a)(d)	81.3	42.0
Agriculture (b)	% of GDP	8.5	8.2	7.8	7.8	7.8 (d)	7.8 (a)(d)	7.1	7.1
Industry (b)	% of GDP	26.6	26.9	26.8	27.0	26.9 (d)	26.2 (a)(d)	26.8	28.7
Services (b)	% of GDP	54.6	54.9	55.9	56.2	56.1 (d)	56.6 (a)(d)	56.5	58
Taxes less Subsidies on products (b)	% of GDP	10.2	10.0	9.4	9.0	9.2 (d)	9.4 (a)(d)	9.6	6.2
Investment (b)	% of GDP	30.4	33.4	39.1	33.2	32.3 (d)	28.4 (a)(d)	31.5	32.8
National Savings (b)	% of GDP	28.5	26.3	33.3	29.9	29.8 (d)	26.0 (a)(d)	28.9	n.a.
Headline Inflation (f)	%	6.2	6.7	7.6	6.9	3.3	0.9	3.7	n.a.
- Food Inflation	%	6.9	8.8	4.7	7.9	3.8	4.9	4.4	n.a.
- Non-Food Inflation	%	5.6	5.0	10.0	6.1	2.8	-2.5	3.1	n.a.
- Core inflation	%	7.0	6.9	5.8	4.4	3.5	3.1	5.1	n.a.
Headline Inflation (g)	%	-	-	-	-	-	2.2	4.0	5.5
- Food Inflation	%	-	-	-	-	-	5.5	6.1	7.6
- Non-Food Inflation	%	-	-	-	-	-	1.0	3.1	4.6
- Core inflation	%	-	-	-	-	-	4.9	4.4	5.5
II. Fiscal Sector									
Revenue Collection	Billion US$	7.2	8.8	8.2	8.8	9.2	10.7	11.6	5.8
Fiscal Deficit (excluding grants) (b)	% of GDP	-7.2	-6.4	-5.8	-5.5	-5.8	-7.6	-5.5	-2.6
Fiscal Deficit (including grants) (b)	% of GDP	-7.0	-6.2	-5.6	-5.4	-5.7	-7.6	-5.4	-2.6
Public Debt (b)	% of GDP	71.6	71.1	68.7	70.8	71.3	77.6	79.3	n.a.
- of which foreign debt (b)	% of GDP	31.6	32.3	31.7	30.9	30.0	32.4	34.2	n.a.
- domestic debt (b)	% of GDP	40.0	38.8	37.0	40.0	41.3	45.3	45.1	n.a.
- debt servicing	% of total revenue	100.4	92.5	96.8	102.2	90.0	90.6	80.2	117.8
III. External Sector									
Exports (f.o.b)	Billion US$	8.6	10.6	9.8	10.4	11.1	10.5	10.3	5.4
Imports (c.i.f.)	Billion US$	13.5	20.3	19.2	18.0	19.4	18.9	19.2 (d)	10.1
Trade Deficit	Billion US$	-4.8	-9.7	-9.4	-7.6	-8.3	-8.4	-8.9 (d)	-4.8
Remittances	Billion US$	4.1	5.1	6.0	6.4	7.0	7.0	7.2	3.4
Earnings from Tourism	Billion US$	0.6	0.8	1.0	1.7	2.4	3.0	3.5	1.7
Current Account Balance	Billion US$	-1.1	-4.6	-4.0	-2.5	-2.0	-1.9	-1.9	-1.5
Current Account Balance (b)	% of GDP	-1.9	-7.1	-5.8	-3.4	-2.5	-2.3	-2.4	-
Major Inflows to the Financial Account									
- Foreign Loans (net)	Billion US$	2.7	2.9	-3.1	-1.1	-1.7	-0.8	-0.8	-1.3
- Foreign Direct Investment (net)	Billion US$	0.4	0.9	-0.9	-0.9	-0.8	-0.6	-0.7	-0.4
- Portfolio Investment : Equity (net)	Billion US$	-0.2	-0.2	-0.3	-0.2	-0.2	0.1	-0.0	-0.2
- Portfolio Investment : Securities (net)	Billion US$	1.5	1.2	-1.9	-1.8	-1.9	-0.7	-1.0	-0.8
- Trade Credits (net)	Billion US$	-1	-0.2	0.7	0.5	0.8	0.5	-0.2	-0.2
External Debt and Forex Liabilities outstanding	Billion US$	21.4	32.7	37.1	39.9	42.9	44.8	46.6	49.2
External Debt and Forex Liabilities to GDP (b)	%	37.8	50.2	54.2	53.7	54.1	55.7	57.3	60.2
Short-term debt to GDP (b)	%	10.6	11.1	10.8	10.1	9.1	9.5	9.0	9.5
External Debt Servicing Ratio	% of forex earnings	11.9	9.3	13.5	18.7	14.5	19.2	17.6	23.0
Exchange Rate (Annual Average)	Per US$	113.1	110.6	127.6	129.1	130.6	135.9	145.6	151.5
Total Foreign Assets	Billion US$	8.6	8.0	8.6	8.6	9.9	9.3	8.4	9.1
IV. Monetary & Capital Market									
Growth Rate of M_1	y-o-y	20.9	7.7	2.6	7.7	26.3	16.8	8.6	6.8
Growth Rate of M_2	y-o-y	18.0	20.9	18.3	18.0	13.1	17.2	18.9	22.5
Growth Rate of M_{2b}	y-o-y	15.8	19.1	17.6	16.7	13.4	17.8	18.4	21.2
Weighted Avg Lending Rate	%	14.8	13.4	16.0	15.2	11.9	11.0	13.2	13.7
Credit growth to Private Sector (As per M_{2b})	%	24.9	34.5	17.6	7.5	8.8	25.1	21.9	18.6
All Share Price Index (ASPI)	(1985=100)	6,635.9	6,074.4	5,643.0	5,912.8	7,299.0	6,894.5	6,228.3	6,747.1
Milanka Price Index (MPI)	(1998 Dec=1,000)	7,061.5	5,229.2	5,119.1	-	-	-	-	-
S&P SL 20 Index	(2004 Dec=1,000)	n.a.	n.a.	3,085.3	3,263.9	4,089.1	3,625.7	3,496.4	3,933.5
Market Capitalisation (as leading stock mkt)	Domestic Currency in Billion	2,210.5	2,213.9	2,167.6	2,459.9	3,104.9	2,938.0	2,745.4	3,041.2
Market Capitalisation (as leading stock mkt)	% of GDP	34.5	30.7	24.8	25.6	30.0	26.8	23.2	47.7
Market Capitalisation (as leading stock mkt)	Billion US$	19.9	19.4	17.0	18.8	23.7	20.4	18.3	19.8
V. Banking Sector Indicators									
Capital adequacy ratio	%	16.2	16.0	16.4	17.6	16.6	15.4	15.6	15.0
Non performing loans ratio (Net IIS)	%	5.4	3.8	3.7	5.6	4.2	3.2	2.6	2.7
Profitability (R.O.E.) (After Tax)	%	22.0	19.8	20.3	16.0	16.6	16.2	17.3	18.2
Profitability (R.O.A.) (Before Tax)	%	2.7	2.4	2.4	1.9	2.0	1.9	1.9	2.0

(a) Provisional (b) The data is based on the base year 2010 GDP estimates of Department of Census and Statistics (c) Estimates updated with latest population figures

(d) Revised (e) Data is under the 2002 base year (f) Based on CCPI (2006/07=100) (g) Based on CCPI (2013=100) n.a. - Not available

Macroeconomic Surveillance Indicators of Sri Lanka

Sr. No	Items	2016	2015	2014	2013	2012	2011	2010
1	Current account balance as a percentage of GDP	(2.4)	(2.3)	(2.5)	(3.4)	(5.8)	(7.1)	(1.9)
2	External debt as a percentage of GDP	57.3	55.7	54.1	53.7	54.2	50.2	37.8
3	Reserve as a percentage of GDP	7.40	9.1	10.3	10.1	10.4	10.3	12.7
4	National debt as a percentage of GDP	79.3	77.6	71.3	70.8	68.7	71.1	71.6
5	Domestic credit as a percentage of GDP	74.0	66.4	56.3	53.5	48.7	43.7	35.3
6	Fiscal deficit as a percentage of GDP	(5.4)	(7.6)	(5.7)	(5.4)	(5.6)	(6.2)	(7.0)
7	Inflation (12 month average)*	4.0	2.2	3.3	6.9	7.6	6.7	6.2

 # As per the decision of the 34th SAARCFINANCE Group Meeting, the Chair Country to include the core list of Macroeconomic Surveillance indicators in SAARCFINANCE e-Newsletter on half-yearly basis

Note :

Data is not compiled by the country for given frequency.

Data is not available."

Base years for inflation for 2010-2014 (2006/07=100) and 2015-2016 (2013=100)

Highlights of Activities related to SAARCFINANCE, IGEG and SPC

Highlights of Activities related to SAARCFINANCE (During January-June 2017)

1. *Bangladesh Bank hosted 25th SAARCFINANCE Coordinator's Meeting*

Bangladesh Bank hosted 25th SAARCFINANCE Coordinator's Meeting held on April 09, 2017 at Pan Pacific Sonargaon, Dhaka, Bangladesh. Delegates from all member countries of SAARC, except Maldives, were present at the meeting. There were two sessions in the 25th SAARCFINANCE Coordinators' Meeting – an inaugural session followed by a working session. Governor, Bangladesh Bank (BB) and Chairman of the SAARCFINANCE Mr. Fazle Kabir was the Chief Guest while Mr. Abu Hena Mohd. Razee Hassan, Deputy Governor, BB was the Special Guest of the inaugural session. Dr. Md. Akhtaruzzaman, Economic Adviser, BB chaired the inaugural session.

Mr. Abu Hena Mohd. Razee Hassan, Deputy Governor, BB chaired the working session of the meeting. There were detailed discussions over the agenda items where the coordinators and alternate coordinators of the respective SAARC central banks and the Focal Points from Ministry of Finance expressed their views.

Apart from finalizing the Agenda for the 34th SAARCFINANCE Group Meeting held on July 12, 2017 in Colombo, Sri Lanka, some of the other issues discussed included the following: 1) SAARCFINANCE Database - way forward; 2) Collaborative Research Studies by member central banks-updates; 3) Activities under Roadmap of SAARCFINANCE; 4) Issues on Indicators of Macroeconomic Vulnerability; 5) Inviting Iran and Myanmar in the SAARCFINANCE events as observer; 6) Proposals to make SAARCFINANCE website more informative; and 7) Increase the allocated time for group meeting.

2. *RBI hosted Training Programmes/Staff Exchange Programmes*

- Sixty Five Participants from Bangladesh Bank during training at NIBM, Pune interacted with RBI officials from exploring various departments in Bank on January 12, 2017 at RBI Central Office, Mumbai.
- A full day training session on Basel II and Basel III was organised at Reserve Bank of India, Mumbai for International delegates from Nepal Rastra Bank from January 16 to 18, 2017.
- Participants from Nepal Rastra Bank interacted with various departments obtaining knowledge/experience on RTGS from February 6 to 9, 2017.
- Reserve Bank of India, Mumbai organised a knowledge sharing session of the fully automated banknote processing machine (BPS 1000) and its functionality for participants from Maldives Monetary Authority (MMA) during February 27 - 28, 2017 at RBI Office, Belapur.
- Fourteen participants from Bangladesh Financial sector participated in a session on the policy and strategic issues on financial inclusion and MSME, financial market infrastructure, bond market development and other banking issues at Reserve Bank of India, Mumbai on April 20, 2017.
- Seventy Three Participants from Bangladesh Bank interacted with RBI officials from exploring various departments in Bank on May 16, 2017 at RBI Central Office, Mumbai.

3. *State Bank of Pakistan hosted Seminar on 'Financial Stability'*

State Bank of Pakistan (SBP) hosted a seminar on 'Financial Stability' during March 27-29, 2017 at NIBAF, Islamabad. Besides Pakistan, the seminar was attended by all member countries of SAARC, except Bhutan, India and Maldives.

Deputy Governor, State Bank of Pakistan, Mr. Riaz Riazuddin inaugurated the two-day event. In his address, Mr. Riaz Riazuddin emphasized on managing risks to financial stability with the aim to boost investors' confidence and enhancing financial access to potential areas. He stressed upon the need for putting in place effective financial stability framework and enhancing the cross border supervisory cooperation.

4. *Central Bank of Sri Lanka arranged two staff exchange programmes*

CBSL conducted two staff exchange programmes for officials from the Royal Monetary Authority of Bhutan on foreign exchange regulation and guidelines and, payment and settlement systems in Sri Lanka during the first half of 2017.

Annex I

Approved List of Macroeconomic Vulnerability Indicators

	Core Indicators	Annotation
1	Current account balance as a percentage of GDP	Current account balance (CAB) is defined as the sum of the balance of trade, net income from abroad and net current transfers. It is an important indicator about an economy's health. To measure the relative importance CAB/GDP could be a good indicator.
2	External debt as a percentage of GDP	It comprises government and private sector external debt as a percentage of GDP. External debt measures the indebtedness of a country to rest of the world.
3	Reserves as a percentage of Import	Assets held by a central bank which are acceptable as a medium of international payments are termed as foreign currency reserves. A reserve to import is a ratio of a country's reserves balance to its average import payments in a point of time. It is an indicator of a country's payment solvency against its imported goods and services in a certain period of time.
4	National Debt as a percentage of GDP	National debt-to-GDP ratio is a ratio of a country's government debt to its gross domestic product (GDP) considered in a fiscal year. Debt-to-GDP ratio measures the efficiency of an economy to pay back its debts with its productions and sale of goods and services. It indicates the financial leverage of an economy.
5	Domestic Credit as a percentage of GDP	Loans or credits availed by the private agents and governments of a country at a particular time are called domestic credit. It is an indicator of credits supply in an economy.
6	Fiscal Deficit as a percentage of GDP	Fiscal deficit is the shortfall in government revenues compared to its total expenditures in a fiscal year. It indicates how much a government should borrow to incur its total expenses within a time period. Fiscal deficit may arise due to revenue deficit or increases in expenses by the economy.
7	Inflation (12 month average)	Inflation is a sustained increase in the general price level of goods and services in an economy over a period of time. Inflation reflects a reduction in the purchasing power per unit of money – a loss of real value in the medium of exchange and unit of account within the economy.

* The list was approved in the 34th SAARCFINANCE Group Meeting held in Colombo, Sri Lanka on July 12, 2017.