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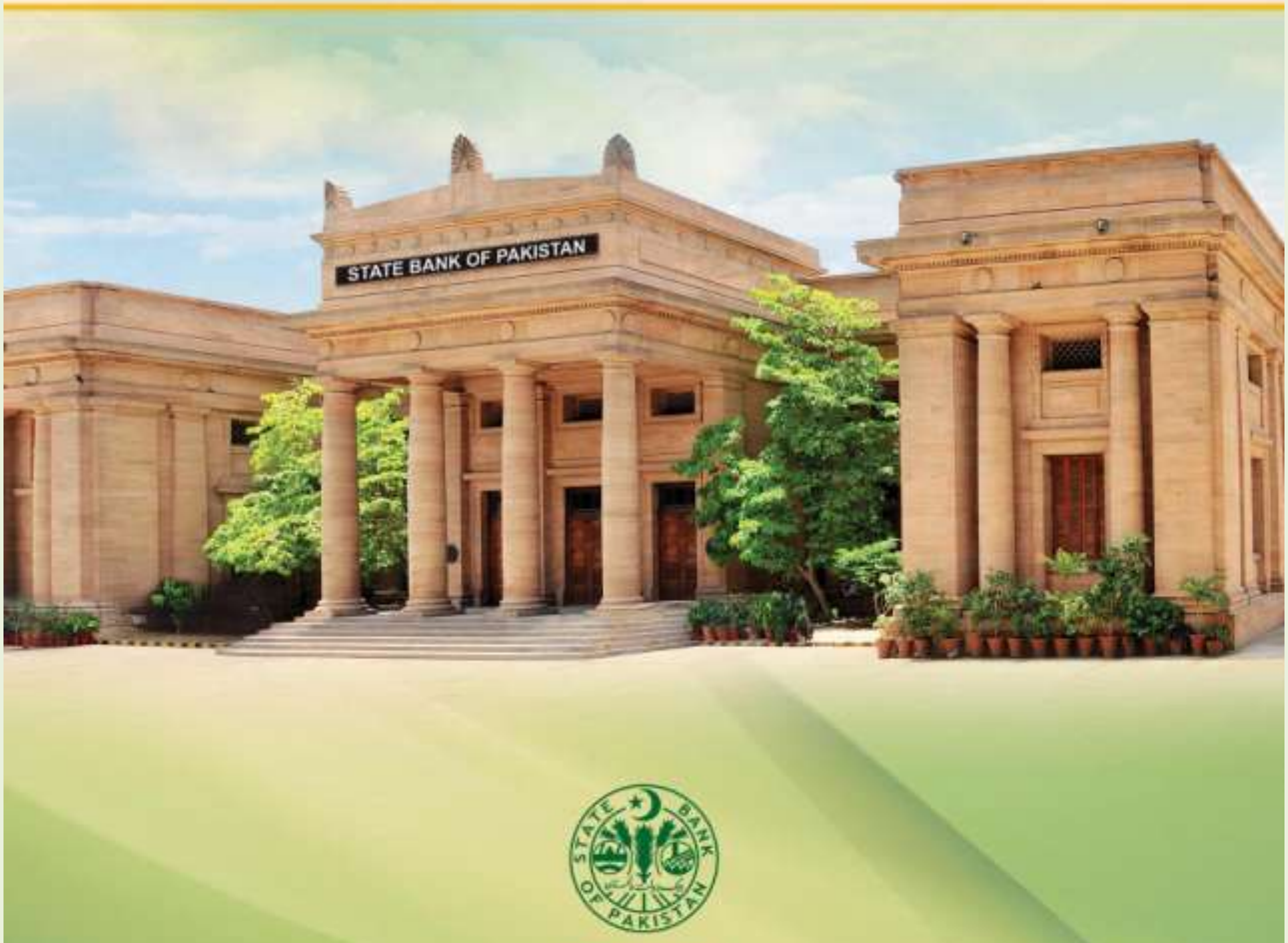

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Message from the Chairperson of SAARCFINANCE Network

I am pleased to publish the 18th issue of SAARCFINANCE e-Newsletter - the last edition during Pakistan's chair tenure. This volume covers the activities performed by member countries during January-June 2015, which include recent macroeconomic developments, major policy announcements, key economic indicators, and country-wide activities that have taken place under the aegis of SAARCFINANCE Network.

It has been an honor for me to chair SAARCFINANCE for the last year. During my chairmanship I tried to serve this network to the best of my ability and with the assistance from fellow Governors and officials involved in the operation of the network. The recent initiatives by member countries are indeed worth appreciating. However, we may need to take more initiatives and identify areas where we can further deepen our cooperation. The future role of the SAARCFINANCE will become more challenging in the wake of ever-growing competition and expected economic and financial integration in the SAARC region. In this context, the regional central banks need to join hands with other SAARC bodies and enhance coordination with them, especially with SAARC Chamber of Commerce and Industry, as it is engaged in promoting cross border trade and investment flows. We may also need to play an active role at forum like IGEG on financial issues. I am confident that our collective commitments, level of cooperation & information sharing, and efforts towards better shaping the future course of the SAARCFINANCE would be instrumental in meeting the challenges confronting us in the fields of economic and finance.

I take this opportunity to express my sincere appreciation and gratitude to fellow Governors, Finance Secretaries, Coordinators, Alternate Coordinators, Focal Persons at Ministries of Finance and staff members of the SAARC Central Banks who actively contributed to the activities of SAARCFINANCE.

I wish SAARCFINANCE reach new heights in years to come and achieve its envisioned objectives.

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

COUNTRY REPORTS

AFGANISTAN

RECENT OVERALL MACROECONOMIC DEVELOPMENTS

Economic Growth

The Afghan economy showed a weak performance over the first half of FY 1394 (June 2015). The real GDP growth is projected to remain low, 3-5 percent for the Fiscal year 1394 (2015-16). Based on the findings from the survey of regional economic activities[1], except some minor favorable developments in the agriculture sector, all the other sectors reported significant downfall in the level of activities during the period of January to June 2015. Agriculture has performed at its full potential for the third consecutive year and has a healthy contribution to GDP over the current year. However, due to the less favorable seasonal rainfalls compared to a year ago, a considerable decline in the level of agricultural products is expected over the second half of the year 2015.

On the contrary, manufacturing and services sectors experienced unfavorable developments over the first half of the year. The weak performance in these sectors is highly correlated with a considerable decline in investment levels emanating from the aggravated business confidence in the country. The most significant downward pressures on these sectors' performance came from increasing security concerns, power outage, and political turbulences. These factors have not only affected the industrial outcomes over the first half of the current year, but also considered as the major risks for the future performance of these sectors. Similar to manufacturing, transportation and real estate exhibited weak performances over the first half of 2015. Over the period under review, security concerns rose sharply causing a considerable decline in aggregate demand and trade volume, causing a significant fall in transportation activities in the country. Lower investment stemming from security situation has been the main contributor of a weak real estate sector.

Inflation

Afghanistan is experiencing a period of deflation starting from March 2015. Observing the data, the headline inflation recorded -4.9 percent (y-o-y) in July 2015 from 0.88 percent in January and 6.3 percent in July 2014. One of the main underlying forces responsible for this deflationary environment is thought to be a sharp decline in international oil prices. In addition, major political and security turbulences have played a critical role in declining of economic activities and decreasing the aggregate demand in the country. Moreover, the prolonged presidential elections and its aftermath political turbulences in 2014 followed by aggravating security situation in the country caused significant capital outflow from domestic markets. Capital outflow and lower investment coupled with shrinking number of foreign troops and diminishing number of development projects have given a push to unemployment level in the country raising it to around 30 to 40 percent. High unemployment rate and low investment have adversely affected the level of aggregate demand, reinforcing the existing deflationary pressures in the country.

Monetary Sector Developments

Da Afghanistan bank continues the monetary aggregate targeting regime, using reserve money (RM) as operational target to achieve the ultimate goal of price stability. DAB uses the foreign exchange auction and open market operations as the main monetary instruments to conduct a prudent monetary policy. At the end of the second quarter of the fiscal year 1394 (June 2015), broad money stood at AF 381,053 million, registering a growth rate of 1.36 percent (y-o-y), down from 5.7 percent in the same period of previous year. Over the first four months of the current fiscal year, broad money decreased from AF 379,396 million to AF

[1] DAB conducts an informative economic activity survey in the six main provinces every two months.

372,605 million, however it began gaining momentum in the month of April. The contribution of narrow money (M1) was substantial impeding the growth rate of M2 as it registered a growth of 0.98 percent. Meanwhile, quasi money was the biggest driver of expansion in broad money, registering a growth of 7.67 percent in the first half of the fiscal year 1394.

As stated above, the Afghan economy has been experiencing different challenges stemming from political and economic uncertainty, deteriorating security situation, and significant trade deficit. These challenges exert significant downward pressure on the national currency. Over the first half of the fiscal year 1394 (June 2015) afghani experienced depreciation against major currencies, particularly U.S. dollar as it continued to strengthen in the international market. At the beginning of the year, Afghani was traded at 58.07 against the USD, while it was traded at AF 60.74 at the end the first half of the year, this indicates 4.60 percent depreciation.

Fiscal Developments

In the last decade, Afghanistan's national budget has been financed through domestic revenues, donor grants, and loans. The share of donor grants and loans was more significant compared to the share of domestic revenues in this period. In the first half of FY 1394 (2015), the actual domestic revenue stood at AF 52,277 million, while the total domestic revenue is projected to be AF 125,513 million by the end of FY 1394 (2015). The actual domestic revenues in the first half of the FY 1394 (2015) contributes 40.86 percent of national budget. On the other hand, the donor's grants and loans stood at AF 96,023 million at the end of the first half of the current year, this contributes about 75 percent of national budget.

The share of the actual operating budget in the core budget shows an increase by 8.7 percent than that in the last year. Operating budget as percent of core budget is 73.7 percent, while the share of the development budget in the core budget decreased by 10.3 percentage points, from 35 percent to 24.7 percent in the period under review.

KEY ECONOMIC INDICATORS OF AFGHANISTAN

	Unit	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015 (June)
I. Real Sector													
Per Capita GDP	US$	242.2	281.1	312.6	426.0	426.0	504.7	628.6	709.0	780.0	772.0	747	-
Real GDP Growth	%	2.3	9.9	9.2	16.1	2.3	17.2	3.2	8.7	10.9	6.5	2.1	3 to 5
GDP (Nominal)	Billion US$	5.6	6.6	7.5	10.4	10.6	12.9	16.3	18.8	21.0	21.2	21.0	21.5 prj. (e.o.y)
Agriculture	% of GDP	33.3	34.2	32.7	33.6	27.7	31.1	27.8	27.0	25.4	24.7	24.32	-
Industry	% of GDP	24.5	25.2	26.2	25.2	25.6	21.2	20.6	21.6	20.5	19.6	20.92	-
Services	% of GDP	39.5	37.7	38.1	38.7	44.0	44.3	48.0	47.8	50.3	51.7	51.3	-
Investment	% of GDP	-	-	-	-	18.1	17.4	17.5	15.8	16.4	16.7	17.7	-
National Savings	% of GDP	-	-	-	-	-23.3	-9.9	-11.4	-4.0	4.0	7.8	7.0	-
Headline Inflation	%	-	9.8	3.8	24.3	4.8	-4.5	13.7	8.4	5.8	7.2	1.3	-2.8
- Food Inflation	%	-	9.1	4.9	31.9	4.3	-9.1	14.0	7.0	4.4	9.6	2.9	-3.3
- Non-Food Inflation	%	-	10.9	2.2	12.2	6.0	3.8	13.3	16.6	7.4	4.7	-0.5	-2.2
- Core Inflation	%	-	-	4.7	11.3	7.8	2.3	9.8	10.0	5.9	5.5	4.3	0.5
II. Fiscal Sector													
Revenue Collection (CSR)	Million Afs	18,837	76,456	62,038	56,885	71,638	101,118	134,840	169,674	164,589	108,508	99,619	52,277.0
Fiscal Deficit (excluding Grants)	% of GDP	19%	18%	14%	14%	9%	8%	1%	4%	2%	4%	14%	
Fiscal Deficit (including Grants)	% of GDP	1%	4%	1%	2%	15%	14%	8%	12%	10%	14%	8% Supl	
Public Debt	% of GDP	-	-	-	-	-	-	-	-	-	-	-	-
- of which foreign currency	% of GDP	-	-	-	-	-	-	-	-	-	-	-	-
- domestic debt	% of GDP	-	-	-	-	-	-	-	-	-	-	-	-
- debt servicing	% of total revenue	-	-	-	-	-	-	-	-	-	-	-	-
III. External Sector													
Exports (f.o.b)	Billion US$	0.31	0.38	0.42	0.45	0.55	0.40	0.40	0.38	0.26	0.50	0.62	0.23
Imports (f.o.b)	Billion US$	2.18	2.47	2.74	3.02	2.98	3.11	4.87	6.05	6.03	8.65	6.91	3.49
Trade Deficit	Billion US$	1.87	2.09	2.33	2.57	2.43	2.70	4.48	5.67	5.76	8.15	6.29	3.25
Remittances	Billion US$	-	-	-	-	-0.08	-0.18	-0.02	0.01	0.06	0.11	-0.03	0.04
Current Account Balance	Billion US$	-	-	-	-	-5.69	-6.02	-6.61	-6.76	-6.63	-6.95	-4.39	-1.26
Current Account Balance	% of GDP	-	-	-	-	-0.53	-0.47	-0.40	-0.36	-0.32	-0.33	-0.21	-0.06
Total Foreign Investment	Million US$	-	186	218	188.41	97.59	93.78	94.96	85.17	72.65	70.24	42.98	0.05
- Foreign Direct Investment	Million US$	-	186	218	188.41	97.59	93.78	94.96	85.17	72.65	70.24	42.98	0.05
- Portfolio Investment	Million US$	-	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.00
External Debt	Billion US$	-	-	-	-	-	-	-	-	-	-	-	-
External Debt and Forex Liabilities	% of forex earings	-	-	-	-	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a
Short-term debt to GDP	%	-	-	-	-	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a
External Debt Servicing Ratio (Pl see footnote)	*	-	-	-	-	-	-	-	-	-	-	-	-
Exchange Rate (Average)	Per US$	47.79	49.63	49.92	49.82	50.95	49.26	45.80	47.76	50.92	55.38	57.52	58.40
Foreign Exchange Reserves	Billion US$	-	-	-	-	3.61	4.13	5.34	6.25	6.95	7.10	7.00	6.77
IV. Monetary & Capital Market		-	-	-	-	-	-	-	-	-	-	-	-
Growth Rate of M1	y-o-y	-	-	-	40.59	31.91	30.33	25.02	21.00	9.78	9.88	-	0.98
Growth Rate of M2	y-o-y	-	-	-	42.40	31.38	33.05	26.95	21.31	8.80	9.40	-	1.36
Growth Rate of M3	y-o-y	-	-	-	-	-	-	-	-	-	-	-	-
Weighted Avg Lending Rate	%	-	-	-	15.70	23.40	15.10	15.00	14.50	15.00	15.00	-	15.00
Credit growth to Private Sector	%	-	-	-	96.98	45.63	33.90	29.80	-49.80	1.90	8.80	-	-10.57
Stock Market (Price Index)	1991=100	-	-	-	-	-	-	-	-	-	-	-	-
Market Capitalization (as leading stock mkt)	nestic currency in Billi	-	-	-	-	-	-	-	-	-	-	-	-
Market Capitalization (as leading stock mkt)	% of GDP	-	-	-	-	-	-	-	-	-	-	-	-
Market Capitalization (as leading stock mkt)	Billion US$	-	-	-	-	-	-	-	-	-	-	-	-
V. Banking Sector Indicators													
Capital Adequacy ratio	%	N/A	N/A	38.91	31.77	29.83	25.81	-14.48	23.83	21.84	26.24	26.46	25.63
Non performing loans	%	N/A	N/A	N/A	0.68	1.15	0.94	48.4	5.16	5.31	5.08	8.09	13.82
Profitability (R.O.E)	%	N/A	8.39	-1.11	9.89	1.69	1.4	-20.69	-1.01	-0.42	0.61	7.35	-0.98
Profitability (R.O.A)	%	N/A	1.79	0.28	1.8	10.28	10.25	-520.84	-14.98	-5.71	8.18	0.9	-8.21

* from 2007 to 2012 figures are as on March

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

BANGLADESH

RECENT OVERALL MACROECONOMIC DEVELOPMENTS

Overview

According to the latest outlook of the International Monetary Fund (IMF), the global economy is likely to witness some positive changes in the short and medium term. Uneven growth prospects are taking shapes across different countries of the world. The decline in oil prices in one hand and jobless growth on the other, or, declining potential output carries mixed signals for the future prospects of global economy. However, in terms of trade potential and employment, global scenario reveals positive prospects for the future of Bangladesh economy. Satisfactory agricultural production, vibrant rural economy, encouraging remittance flows, increase in public investment and higher wage rate in the private sector together helped in keeping domestic demand buoyant. As a result, the economy of Bangladesh has registered 6.51 percent annual GDP growth rate for FY2014-15. GDP growth rate has been projected at 7.0 percent for FY2015-16. Industry and service sectors on the supply-side and, consumer spending and public and private investment, on the demand-side, will be the drivers of this growth. Moreover, efficient coordination between fiscal and monetary policies will help realize this goal.

Average inflation rate gradually declined and stood at 6.4 percent by the end of June 2015. Supported by lower fuel prices in the international market, supportive fiscal and monetary policies, satisfactory agricultural production and improved distribution system, food and non-food inflation has remained within the target of the FY2014-15. However, inflation is expected to slide further down in FY2015-16 reflecting fall in international oil prices, favorable agricultural production, continuous improvement in domestic distribution system and impact of restrained monetary policy. Budget deficit will be contained within 5 percent of GDP as in the past. Taking all these into account, inflation target is set at 6.2 percent for FY2015-16. Sector-wise brief analyses on Bangladesh economy are given below:

Price Developments

For a developing economy like Bangladesh, various empirical studies and the public perception define a range of 4 to 6 percent inflation as moderate. The upper limit of this range may move further up if the economy is accelerating at 7 percent or above. Then affording an inflation rate of 7 or 8 percent will be necessary to absorb the speeding up of employment, output, and wages. Given this background, Bangladesh's current level of inflation at 6.4 percent (at the end of June, 2015) is already moderate. The government's 6.2 percent target for the FY16 implies the need of going for further reduction through slightly pressing the brake on the price level. Now if money supply remains on the current stance that is cautious in general but at the same time generously accommodative for growth generating pursuits, achieving that target will not be difficult. Although general inflation has fallen from 6.87 percent in January 2015 to 6.40 percent in June, core inflation that counts non-food and nonfuel inflation is on the rise. It has inched up from 6.08 percent in January 2015 to 6.74 percent in June of the same year, warranting a cautious stance right now.

Money and Credit Developments

Based on the conflicting signals from general inflation and core inflation, BB decided to remain on its current cautious but generously supportive stance for inclusive, sustainable output growth. Following the growth supportive stance, BB plans to increase broad money (M2) at the rate of 15.6 percent. This stance of money supply complies with the growth target, absorbs moderate inflation, and finally takes required level of monetization into account. The government is likely to take more money from the banking system as reflected in the last budget and Bangladesh Bank has kept sufficient provisions for that. The credit growth figures in the public sectors have always been very volatile based on the actual financing needs of the government. It registered a negative figure of 2.6 percent in the last fiscal year whereas Bangladesh Bank projects a positive growth rate of 23.7 percent for the current fiscal year. In contrast, private sector credit growth has always remained stable particularly since the fiscal year of 2013 when the figure was 10.8

percent and has stood higher at 13.2 percent in the FY15. All these figures were coupled with 6-plus percent economic growth. If the last fiscal year's 13.2 percent credit growth could endow the economy with 6.5 percent output growth, a provision of 15.0 percent private credit growth appears to be adequate to support 7.0 percent output growth for the current fiscal year.

External Sector Developments

At the end of the last fiscal year 2015, current account deficit stood at USD 1.63 billion while the nation enjoyed surpluses over the fiscal years of 2013 through 2014. This does not signify that the external sector is gradually running into a difficult stage. The overall balance will still remain positive at USD 4.16 billion in the FY15 - slightly less than USD 5.48 billion from the FY14. The next current account deficit for the FY16 is projected to reach USD 3.55 billion which will eventually reduce the overall balance to USD 1.13 billion. The jump in current account deficit from USD 1.63 billion to USD 3.55 billion is mainly originating from an augmenting trade deficit that is expected to rise from USD 10.02 billion in the FY15 to USD 13.42 billion in the FY16. Modest current account deficits are usual and desirable in growing economies. Bangladesh's current account deficit that turns out to be less than 1 percent of GDP is comfortably manageable and it does not pose any risk at this moment. Rather, it indicates the growing demand for capacity building and more productivity in the economy since more than 65 percent of our imports comprise capital machinery, intermediate goods, and raw materials. Imports bolster exports in Bangladesh. We expect 14 percent growth in imports, 7.5 percent growth in exports, and 10 percent growth in remittances for the FY16. An augmenting current account deficit will turn out to a blessing in disguise for at least a year or two ahead once it comes to the exchange rate and reserves.

Recent sustained pick up in investment and consumption imports will in the near term ease appreciation pressures on taka, enhancing its export competitiveness. The growth rate of foreign exchange reserves will slow down and the import coverage will fall before reserves turn out to be a liability. The foreign reserves are projected to keep rising to reach USD 26 billion in the FY16 from USD 25 billion in the FY15, but the import coverage will marginally fall from 6.2 to 5.7 months. Around six months of import coverage is generally deemed safe and comfortable for an emerging country like Bangladesh.

Fiscal Developments

In FY14-15 total estimated budget expenditure was 2,50,506 crore Taka which was revised to 2,39,668 crore Taka. Up to May 2015 actual expenditure (Using iBASdata) is 1,49,905.4 crore Taka which is 62.5 percent of revised budget estimate. Government expenditure in Bangladesh is shown under two broad categories, namely, Non-Development Expenditure and Development Expenditure. Non-development expenditure up to May 2015 in FY15 is 69.0 percent of the revised budget estimate. Whereas, development expenditure during the same period amounts to 46.6 percent of the revised development budget estimate. Based on Implementation Monitoring and Evaluation Division (IMED) data, ADP expenditure (except self-financed) up to June 2015 stands at 68,532 crore Taka where utilization rate is 91 percent of the revised ADP estimate.

Revenue income of the government comes from both tax and non-tax sources. Up to May 2015, total revenue (Using iBAS data) is 1,27,019 crore Taka which is 77.7 percent of the revised annual target. During this period major share of the revenue comes from NBR (National Board of Revenue) sources that amounts to1,08,374 crore Taka which is 85.3 percent of the total revenue up to May 2015. Achievement of NBR tax revenue up to May is 80.3 percent of the revised annual target. Revenue performance of NTR (Non Tax Revenue) sources is also satisfactory. Up to May 2015, 63.4 percent of the revised target has been achieved.

Overall balance of the budget is calculated either by including grants or by excluding grants. Up to May 2015 in FY15, as per revised budget estimate, overall balance (including grants) is -1.45 percent of the estimated GDP and excluding grants -1.51 percent of GDP (base year 2005-06).Revised Budget estimate for overall balance for FY15 is estimated at -4.7 percent of GDP (including grants) and -5.0 percent of GDP (excluding grants).

Fiscal Outlook for FY2015-16

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

Latest Development of Some Macroeconomic Indicators

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

- Real GDP growth registered 6.51% in FY 2014-15 which was 6.12% in FY 2013-14.
- As per latest available data overall inflation (base: 2005-06=100) is 6.29% on yearly average basis (6.17% on point-to-point basis) at the end of August, 2015.
- Export growth has increased by 3.33% amounting USD 30.77 billion in FY 2014-15 compared to USD 29.78 billion in FY 2013-14.
- Imports have increased by 11.25% amounting USD 40.69 billion in FY 2014-15 compared to USD 36.57 billion in FY 2013-14.
- Remittance growth has increased by 7.65% amounting USD 15.32 billion in FY 2014-15 compared to USD 14.22 billion in FY 2013-14.
- The overall surplus in the country's BOP stood at USD 4373 million in FY 2014-15.
- The country's foreign exchange reserve as on 06 September 2015 stood at USD 25.36 billion.
- The nominal exchange rate of Taka against USD remained stable at Tk.77.80 per USD as on 06 September 2015.

HIGHLIGHTS ON MAJOR POLICY ANNOUNCEMENTS

- BB has instructed all scheduled banks and financial institutions to establish a “Women Entrepreneur Development Unit” for allowing all sorts of services to the women entrepreneurs, providing loans to small and cottage women entrepreneurs in manufacturing and service sector on priority basis and performing development activities along with the inclusion of the cluster of women entrepreneurs to loan activities precisely and more effectively. Proposed unit will monitor the branch level activities of women entrepreneurs dedicated desk/help desk.
- BB has requested all the schedule banks to take necessary preparation(s) to perform live transaction over BB-RTGS system from 8th October, 2015. BB-RTGS will use MX (ISO 20022) message format for data exchange between central bank's system and participating bank's system through existing Virtual Private Network (VPN). The SWIFT network may be included as a redundant communication channel in the next phase.
- BB has adopted the guideline titled "NPSB Switch Operating Rules & User Manual: Dispute Management Rules" to ensure the development, safety, efficiency and regulation of countries Payment System. Hence, all the banks connected to the National Payment Switch Bangladesh (NPSB) have been advised to follow the procedure depicted in the said guideline while managing disputes related to NPSB.

- Guidelines for Foreign Exchange Transactions-2009 (GFET) permits exporters to retain specified parts of their export earnings in foreign exchange, for utilization without prior BB approval for bonafide business expenses abroad including maintenance of offices abroad, import of raw materials, machineries and spares, etc. Recently BB has decided to further widen this facility by enhancing the ERQs as under:

  (a) ERQ for exports of high domestic value added merchandise has been enhanced to 60 percent from existing 50 percent.

  (b) ERQ for merchandise exports of high import contents (like apparels using woven fabric) has been enhanced to 15 percent from existing 10 percent.

  (c) ERQ for export of services has been enhanced to 60 percent from existing 50 percent of repatriated export receipts.

- BB has issued a 'Master Circular (MC)' containing detailed policies, rules, regulations and compliances for banks to resist money laundering activities. The MC, issued by the Bangladesh Financial Intelligence Unit (BFIU) of BB on the basis of the Money Laundering Act 2012 and Anti-Terrorism Act 2009, directed all the chief executives of the banks and other staff to follow the policies, rules, regulations and compliances as an obligation.

III. Dr. Raghuram G. Rajan, Governor, Reserve Bank of India gave a Public Lecture in Dhaka on 'Going Bust for Growth: Policies after the Global Financial Crisis'

A Public Lecture on 'Going Bust for Growth: Policies after the Global Financial Crisis' by Dr. Raghuram G. Rajan, Governor, Reserve Bank of India was organized by the SAARCFINANCE Cell of the Research Department of Bangladesh Bank on 11 June, 2015. Dr. Atiur Rahman, Honorable Governor of Bangladesh Bank inaugurated the programme and delivered his welcome speech. Governors along with the delegates from the SAARC member central banks, high level officials of Bangladesh Bank, different ministries of the Government of the People's Republic of Bangladesh, various research organizations and universities of Bangladesh participated in the valuable event. Dr. Rajan delineated how the current system in international monetary policy is a source of substantial risk, both to sustainable growth as well as to the financial sector of the global economy. At the same time, he also highlighted on how to mitigate the source of risks through adaption of various policy measures in his deliberation.

KEY ECONOMIC INDICATORS OF BANGLADESH

	Unit	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
I. Real Sector												
Per Capita GDP	USD	463	476	487	559	620	687	748	766	1088	1115	1235 ^{p}
Real GDP Growth	%	6.0	6.6	6.4	6.2	5.7	6.1	6.7	6.3	6.2	6.12	6.51 ^{p}
GDP (Market Price)	Billion USD	60.4	62.0	68.4	79.6	89.4	100.4	111.9	115.7	129.9	173.8	195.0 ^{p}
Agriculture	% of GDP	22.3	21.9	21.4	20.7	20.5	20.3	18.0	17.4	16.8	16.3	15.6 ^{p}
Industry	% of GDP	28.3	29.0	29.4	29.8	29.8	29.9	27.4	28.1	29.0	29.6	28.0 ^{p}
Services	% of GDP	49.4	49.1	49.2	49.5	49.7	49.8	54.6	54.5	54.2	54.1	56.4 ^{p}
Investment	% of GDP	24.5	24.7	24.5	24.2	24.4	24.4	27.4	28.2	28.4	28.7	29.0 ^{p}
National Savings	% of GDP	25.8	27.7	28.7	30.2	29.6	30.0	29.0	29.9	30.5	30.5	29.1 ^{p}
Headline Inflation (12 mth avg)	%	6.5	7.2	7.2	9.9	6.7	7.3	8.8	10.6	6.8*	7.4*	6.4
- Food Inflation	%	7.9	7.8	8.1	12.3	7.2	8.5	11.3	10.4	5.2*	8.6*	6.7
- Non-Food Inflation	%	4.3	6.4	5.9	6.3	5.9	5.5	4.2	11.1	9.2*	5.5*	5.9
- Core inflation	%	-	-	-	-	-	-	-	-	-	-	6.7
II. Fiscal Sector												
Revenue Collection (CSR)	Billion USD	6.4	6.7	7.2	8.8	10.1	11.5	13.4	15.0	17.5	18.1	21.0
Fiscal Deficit (excluding grants)	% of GDP	4.4	3.9	3.7	6.2	4.1	3.7	4.4	5.0	4.8	4.1	5.0
Fiscal Deficit (including grants)	% of GDP	3.7	3.3	3.2	5.4	3.3	3.3	3.8	4.6	4.3	3.5	4.6
Public Debt	% of GDP	47.0	46.7	44.8	42.9	41.0	37.4	37.4	36.5	30.0	28.6	-
- of which foreign debt	% of GDP	30.5	30.1	28.2	25.5	23.3	20.3	19.7	19.0	14.9	15.0	-
- domestic debt	% of GDP	16.4	16.6	16.6	17.2	17.7	16.9	17.7	17.5	15.1	13.6	-
- debt servicing	% of total revenue	16.6	16.8	18.5	19.8	19.2	18.4	15.3	15.2	19.8	17.3	-
III. External Sector												
Exports (f.o.b)	Billion USD	8.7	10.4	12.1	14.2	15.6	16.2	22.6	24.0	26.6	30.2	30.8
Imports (f.o.b.)	Billion USD	13.2	13.3	15.5	19.5	20.3	21.4	30.3	33.3	33.6	36.6	40.7
Trade Deficit	Billion USD	4.5	2.9	3.4	5.3	4.7	5.2	7.7	9.3	7.0	6.8	9.9
Remittances	Billion USD	3.8	4.8	6.0	7.9	9.7	11.0	11.7	12.8	14.5	14.2	15.3
Current Account Balance	Billion USD	-0.6	0.8	0.9	0.7	2.4	3.7	-1.7	-0.4	2.4	1.4	-1.7
Current Account Balance	% of GDP	-0.9	1.3	1.4	0.9	2.7	3.7	1.5	0.3	1.9	0.9	0.9
Total Foreign Investment	Million USD	800	775	899	795	802	796	740	1193	2094	2369	2318
- Foreign Direct Investment	Million USD	800	743	793	748	961	913	768	995	1726	1432	1700
- Portfolio Investment	Million USD	0.0	32.0	106.0	47.0	-159.0	-117.0	-28.0	198.0	368	937	618
External Debt and Forex Liabilities	Billion USD	18.4	18.6	19.4	20.3	20.1	20.3	21.5	22.8	22.3	23.6	-
External Debt and Liabilities	As % of Forex earnings	-	-	-	-	-	-	-	-	-	-	-
Short-term debt to GDP	%	1.0	1.5	0.9	2.0	1.7	1.2	2.3	3.2	2.7	2.5	-
External Debt Servicing Ratio	% of outstanding external debt	3.6	3.4	3.6	3.8	4.0	4.3	4.2	4.2	4.2	4.2	-
Exchange Rate	Per USD	61.4	67.1	69.0	68.6	68.8	69.2	71.2	79.1	79.9	77.8	77.7
Foreign Exchange Reserve	Billion USD	2.9	3.5	5.1	6.1	7.4	10.8	10.9	10.2	15.3	21.5	25
IV. Monetary & Capital Market												
Growth Rate of M_1	y-o-y	17.1	23.4	16.5	22.7	10.3	28.0	18.7	6.4	10	14.6	15.3
Growth Rate of M_2	y-o-y	16.7	19.3	17.1	17.6	19.2	22.4	21.3	17.4	16.7	16.1	16.2
Growth Rate of M_3	y-o-y	15.2	17.8	15.8	15.7	17.7	23.0	18.9	15.5	15.3	16.5	16.2
Weighted Avg. Lending Rate	%	10.9	12.1	12.8	12.3	11.9	11.3	12.4	13.8	13.7	13.1	12.5
Credit growth to Private Sector	%	16.9	18.1	15.0	25.0	14.6	24.2	25.8	19.7	10.9	12.2	12.7
Stock Market (Price Index)		1713.2	1339.5	1764.2	2588.0	2520.2	5111.6	6117.2	4572.9	4385.8	4480.5	4530.7
Market Capitalization of DSE#	Billion Taka	224.6	225.3	491.7	931.0	1241.3	2700.7	2853.9	2491.6	2530.2	2386.3	1841.2
Market Capitalization of DSE#	% of GDP	6.1	5.4	10.4	17.1	20.2	38.9	35.8	27.2	24.4	17.7	-
Market Capitalization of DSE#	Billion USD	3.7	3.4	7.1	13.6	18.0	39.0	40.1	31.5	31.7	30.7	20.3
V. Banking Sector Indicators												
Capital adequacy ratio	%	5.6	6.7	9.6	10.1	11.6	9.3	11.4	10.5	9.1	10.7	11.35
Non performing loans	%	13.6	13.2	13.2	10.8	9.2	7.3	6.1	10.0	11.9	10.8	9.69
Profitability (R.O.E)	%	12.4	14.1	13.8	15.6	21.7	21.0	17.0	8.2	8.2	8.4	8.09
Profitability (R.O.A)	%	0.6	0.8	0.9	1.2	1.4	1.8	1.5	0.6	0.6	0.6	0.6

Note: All data are provided on the basis of Bangladesh Financial Year (July-June). This format is adopted on recommendations of the SAARCFINANCE meeting on Improvement of SAARCFINANCE e-Newsletter and Development of SAARCFINANCE Scholarship Scheme, 9-10 January 2013, Dhaka, Bangladesh.
PJ= projected, p=provisional, *=Base 2005-06=100
- Not available, # DSE= Dhaka Stock Exchange

BHUTAN

RECENT OVERALL MACROECONOMIC DEVELOPMENTS

Real GDP growth slowed down to 2.1 percent in 2013 from 5.1 percent in the preceding year. Drop in Bhutan's growth was largely attributed to a negative growth in the manufacturing, construction and general government sectors. Other key sectors such as wholesale & retail trade and transport, storage & communications also experienced a slowdown in its growth during the period.

Growth in broad money decreased significantly during the May 2015 recording 13.4 percent from 20.2 percent during the same month last year. Meanwhile, Bhutan's inflation (measured by the year-to-year change of the consumer price index) recorded at 5 percent during the May of 2015 compared to 9 percent of same month of previous year. Decline in the prices of food commodities mainly contributed for the fall during the month. On the other hand, the month-to-month change in imported inflation, during May 2015 was recorded at 5.7 percent while domestic inflation rate was recorded at 4.4percent.

As of the last quarter of 2014, the growth of combined assets of the financial sector[2] increased to 26% (Nu.102.5 billion). Of the total assets, 88.8% belonged to the commercial banks and the residual to the NBFIs. During the same period, banking sector assets alone grew by 25.4% to Nu.91 billion while that of the NBFIs grew by 31.8% to Nu.11.5 billion. NPLs increased from Nu.3.8 billion to Nu.4.0 billion recording a growth of 7.2% at the end of December 2014 against 35% in the same period last year. In particular, high NPLs were observed under the trade and commerce (23.1%), housing (19%), personal loan (17.1%) and manufacturing and industry (13.6%) sector.

On external front, as of the FY ending 2013/14, the current account deficit widened to Nu.28.8 billion from Nu.27.5 billion during the previous year, reaching at 27.3 percent of GDP. With a slight increase on the trade deficit with India, the overall merchandise trade deficit during the year rose to Nu. 22.4 billion from Nu.22 billion and once again, the deficits were considerably countered by substantial inflows on the capital account due to both budgetary as well as hydro-power related grant receipts.

As of May 2015, international reserves stood at USD 928.8 million. Of the total reserves, USD 774 million were convertible currency reserves and ₹ 9.9 billion were Indian Rupee reserves. Reserves were sufficient to cover 12.5 months of merchandise imports.

The country's total outstanding external debt as of March 2015 stood at USD 1.8 billion. Of the total, ₹ 78.1 billion (USD 1,248.6 million equivalent) were Indian Rupee debt and USD 574.7 million were outstanding convertible currency debt. Debt servicing for the quarter ending May 2015 amounted to USD 20.4 million on convertible currency debt and ₹ 5,375.8 million for Rupee denominated debt.

On the fiscal front, as of June 2014, total revenue including grants, increased from 30.4 percent of GDP in FY2012/13 to 33.9 percent of GDP in FY2013/14. On the other hand, total expenditure fell from 36.2 percent of GDP in 2012/13 to 31.1 percent of GDP in 2013/14 being the first year of the 11th five year-plan with the focus on mobilizing resources and carrying out preparatory investment works. Of the total revenue and grants, domestic revenue collection totaled Nu.23.2 billion (an increase of 10.2 percent from the previous year) which was more than sufficient to finance current expenditure. Total revenue and grants of Nu. 37.8 billion were more than sufficient to finance total expenditure of Nu.34.6 billion with a resulting national budget surplus of 3.9 percent of GDP, a turnaround from the 4.2 percent deficit in the 2012/13.

HIGHLIGHTS ON MAJOR POLICY ANNOUNCEMENTS

1. The Credit Information Bureau Regulations, 2015 has been approved by the RMA Board on 6th March 2015.

[2] Excluding the NPPF.

2. The RMA has increased the CRR from 5 percent to 10 percent from March 2015 to sterilize persistent excess liquidity in the banking system.
3. The RMA conducted the 3rd Base Rate Review meeting with the commercial banks in May 2015. The base rate of Non Bank Financial Institutions for 2015 was computed at 11.57 percent.

Commercial Bank	2014	2015
BOBL	10.32%	10.49%
BDBL	10.84%	10.67%
BNBL	11.43%	11.00%
TBank	10.76%	11.56%
DPNBL	11.15%	10.84%

KEY ECONOMIC INDICATORS OF BHUTAN

	Unit	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
I. Real Sector											
Per Capita GDP(a)	US$	1366.40	1387.40	1814.90	1875.54	1851.58	2277.76	2600.09	2584.81	2440.41	3178.16(P)
Real GDP Growth(a)	%	7.96	6.85	17.93	4.77	6.66	11.73	7.89	5.07	2.05	2.05
GDP (MP)	Billion US$	0.88	1.13	1.09	1.24	1.44	1.75	1.84	1.89(P)	0.94(P)	0.94(P)
Agriculture	% of GDP	9.80	9.13	9.06	9.25	9.12	8.96	9.49	17.16(P)	16.18	16.18
Industry	% of GDP	1.84	1.94	2.06	2.28	2.25	2.25	2.11	38.86(P)	42.30	42.30
Services	% of GDP	6.34	6.03	5.88	5.81	5.86	6.28	7.12	37.97(P)	41.52	41.52
Investment	% of GDP	51.22	47.95	37.70	41.39	43.03	52.09	61.01	59.20	47.3(Oct)	-
National Savings	% of GDP	0.00	0.00	0.00	0.00	0.00	0.00	0.00	39.49(P)	24(Oct)	-
Headline Inflation	%	6.17	5.94	8.85	2.96	6.14	8.33	13.53	11.31	8.38	5.03(May)
- Food Inflation	%	5.23	8.84	11.75	10.74	9.53	8.96	11.80	14.46	9.95	2.85
- Non-Food Inflation	%	5.33	2.95	7.74	0.73	8.86	8.17	8.30	9.27	7.35	6.50
- Core inflation	%	-	-	-	-	-	-	-	-	-	-
II. Fiscal Sector											
Revenue Collection (CSR)	Billion US$	0.16	0.23	0.31	0.35	0.43	0.39	0.40	0.39	0.27	0.39
Fiscal Deficit (excluding grants)	% of GDP	-18.67	-14.05	-11.19	-10.02	-16.36	-16.78	-20.16	-13.04	-15.12	-10.40
Fiscal Deficit (including grants)	% of GDP	-0.88	0.71	0.82	2.00	1.80	-2.30	-4.38	-1.69	-4.41	-3.30
Public Debt	% of GDP	43.53	31.55	27.28	29.46	29.20	32.52	35.49	41.61	35.63	31.33
- of which foreign currency	% of GDP	43.53	31.55	27.28	29.04	28.39	31.83	34.20	35.10	35.80	31.50
- domestic debt	% of GDP	0.00	0.00	0.00	0.42	0.80	0.69	1.29	6.51	-0.17	-0.17
- debt servicing	% of total revenue	43.95	11.03	30.75	26.94	28.64	26.41	44.74	88.21	-	-
III. External Sector											
Exports (f.o.b)	Billion US$	0.31	0.57	0.60	0.52	0.54	0.67	0.62	0.59	0.55	-
Imports (f.o.b.)	Billion US$	0.435	0.53	0.67	0.61	0.84	1.12	1.01	0.95	0.93	-
Trade Deficit	Billion US$	-0.12	0.47	-0.08	-0.09	-0.27	-0.46	-0.40	-0.35	-0.38	-
Remittances	Billion US$	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.01	-	-
Current Account Balance	Billion US$	-0.04	0.08	-0.11	-0.01	-0.32	-0.52	-0.39	-0.45	-0.48	-
Current Account Balance	% of GDP	-4.70	9.10	-9.10	-6.60	-24.30	-32.60	-23.00	-25.00	-27.33	-
Total Foreign Investment	Million US$	-	0.00	0.00	0.00	0.00	2.09	2.60	5.03	3.18	-
- Foreign Direct Investment	Million US$	-	0.00	0.00	0.00	0.00	2.09	2.60	5.03	3.18	-
- Portfolio Investment	Million US$	-	-	-	-	-	-	-	-	-	-
External Debt and Forex Liabilities	Billion US$	0.78	0.72	0.82	0.80	0.87	1.35	1.42	1.54	1.84(Sept)	1.82
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	6.71(Mar)
External Debt Servicing Ratio (pl see footnote)	***	7.91	3.68	18.27	30.51	29.75	30.96	55.80	-	10.13(Sept)	63.5(Mar)
Exchange Rate	Per US$	44.74	44.19	40.37	47.78	46.65	45.33	50.27	62.00	63.33	63.76
Foreign Exchange Reserves	Billion US$	0.486	0. 608	0.55	0.68	0.76	0.80	0.67	0.93	1.20	0.93
IV. Monetary & Capital Market											
Growth Rate of M_1	y-o-y	14.40	26.80	6.30	27.70	22.70	34.30	5.60	2.10	27.10	10.1(May)
Growth Rate of M_2	y-o-y	11.37	8.62	2.27	24.57	30.09	21.21	-1.02	3.53	21.74(Nov)	26(May)
Growth Rate of M_3	y-o-y	-	-	-	-	-	-	-	-	-	-
Weighted Avg Lending Rate	%	-	-	-	-	-	-	-	-	-	-
Credit growth to Private Sector	%	35.86	34.40	35.80	28.90	40.73	29.40	30.07	7.96	9.43	13.80
Stock Market (Price Index)	1991=100	-	-	-	-	-	-	-	-	-	-
Market Capitalization (as leading stock mkt)(a)	Domestic Currency in Billion	4.47	4.64	5.03	7.37	8.07	10.01	14.38	17.63	20.59	22.00
Market Capitalization (as leading stock mkt) (a)	% of GDP	12.4	11.4	10.17	13.47	13.18	13.81	16.80	18.19	17.70	21.08
Market Capitalization (as leading stock mkt)(a)	Billion US$	0.10	0.11	0.13	0.15	0.17	0.22	0.29	0.32	0.35	0.35
V. Banking Sector Indicators											
Capital adequacy ratio	%	20.81	17.05	16.12	14.94	14.78	15.90	17.89	19.61	18.51	18.29
Non performing loans	%	6.57	4.92	4.91	7.53	6.83	5.20	3.92	6.57	6.33	10.21
Profitability (R.O.E.)	%	15.02	18.37	18.31	17.08	22.54	15.72	16.10	13.00	13.06	-0.05
Profitability (R.O.A.)	%	1.42	1.58	1.54	1.50	1.86	1.58	2.24	2.40	2.27	-0.27

*** 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).

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

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

INDIA

RECENT OVERALL MACROECONOMIC DEVELOPMENTS

Growth Outlook

The Central Statistics Office, Government of India released the new series of national accounts on January 30, 2015, with three major changes in the compilation of the national accounts: revision in the base-year to 2011-12 (from 2004-05 earlier), aligning the methodology of compilation with international best practices (particularly the SNA 2008), and some changes in the data sources. The provisional estimates (29th May, 2015) placed the real GDP (GDP at constant market prices) growth rate at 7.3 per cent in the fiscal year 2014-15 (April-March) as compared with 6.9 per cent in 2013-14 and 5.1 per cent in 2012-13.[3] GDP growth accelerated to 7.5 per cent in 2014-15:Q4. During 2014-15:Q4 Private Final Consumption Expenditure (PFCE) expanded by 7.9 per cent on top of 11.8 per cent in 2013-14:Q4. Gross Fixed Capital Formation (GFCF) contracted by 7.9 per cent during 2014-15:Q4 as compared to an expansion of 10.8 per cent in 2013-14:Q4.

Growth rate of Gross Value Added (GVA) at basic prices[2] was placed at 7.2 per cent in 2014-15 as compared with 6.6 per cent in 2013-14 reflecting improvement mainly in industry and services sectors. Within industrial sector, improvement in growth was observed in ‘electricity, gas, water supply and other utility services’ and ‘manufacturing’ sub-sectors, while the growth in ‘mining and quarrying’ sub-sector declined. The improvement in services sector was on account of ‘construction’, ‘financial, real estate and professional services’ and ‘public administration, defence and other services’, even as ‘trade, hotels, transport, communication and services related to broadcasting’, moderated.

Inflation Outlook

CPI inflation decreased to 3.78 per cent in July 2015 as compared with 5.19 per cent in January 2015. A host of factors contributed to lowering of inflation during January-July 2015 period, which included the impact of past tightening of monetary policy, supply management measures initiated by the government to contain food inflation and a remarkable fall in international commodity prices. Inflation in food group declined to 2.9 per cent by July 2015 from 6.3 per cent in January 2015. Inflation in pulses, however, touched a record high of 22.9 per cent in July 2015, highest since January 2014 owing to a decline in pulses production during FY 2014-15. Excluding food and fuel group, inflation stood higher at 4.5 per cent in July 2015 as compared with 4.3 per cent in January 2015. Inflation in housing moderated to 4.4 per cent from 5.1 per cent in January 2015. Inflation in transport and communication sub-group has been mostly in negative territory during January-July 2015 and stood at (-) 0.4 per cent in July, reflecting softer crude oil prices globally.

Importantly, the latest round of Inflation Expectation Survey of Households (IESH, June 2015) indicated that both near-term and longer-term inflation expectations once again increased to double digits after recording an historic fall to single digit level in the previous two rounds of survey (Dec-2014 and March-2015). Further, in order to capture shifting consumption patterns of households, the Central Statistics Office (CSO) revised the base year of CPI-Combined to 2012 from the earlier base of 2010, using the weighting pattern from the consumer expenditure survey (CES) of 2011-12 released recently by the National Sample Survey Office (NSSO).[4]

External Sector Outlook

On a cumulative basis, the overall BoP during 2014-15 showed improvement over the preceding year. Lower CAD, on the back of contraction in trade deficit and marginal improvement in the net invisible earnings, along with a sizable increase in net financial flows enabled a large build-up of reserves. India’s trade deficit

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[3] The growth in real GDP as per the earlier (2004-05) base was 5.02 per cent during 2013-14 and 4.74 per cent in 2012-13.

2 Production taxes are included and production subsidies are excluded in calculating GVA at basic prices.

[4] On account of the methodological changes, the inflation numbers as per the old and new series are not comparable.

narrowed to US$ 144.2 billion in 2014-15 from US$ 147.6 billion in 2013-14. With modest increase in invisibles supported by some improvement in net services receipts, the CAD tracked the trade deficit and shrank to US$ 27.9 billion in 2014-15 from US$ 32.4 billion a year ago. The CAD/GDP ratio was at 0.2 per cent in Q4 of 2014-15.

Net inflows under the capital and financial account (excluding change in foreign exchange reserves) rose to US$ 89.5 billion during 2014-15 from US$ 48.7 billion in the previous year. There was an accretion to India's foreign exchange reserves to the tune of US$ 61.4 billion in 2014-15 as compared with US$ 15.5 billion in 2013-14. During current calendar year so far, there has been an accretion of reserves by US$ 34.7 billion. The reserves stood at US$ 354.4 billion on August 14, 2015.

Foreign Trade Policy 2015-2020 announced on April 1, 2015 plans to increase exports to US$900 billion by 2019-20 and raise India's share in world exports from 2% to 3.5%. A new scheme "Merchandise Exports from India Scheme" aiming at simplification of incentive structure and "Services Exports from India Scheme" was launched with expanded scope to benefit all "service providers located in India" instead of only "Indian service providers" and to allow for transferability and greater flexibility in using "duty credit scrips". The policy gives priority to sectors which have domestic manufacturing capabilities and potential demand (e.g., drugs and pharmaceuticals, chemicals and electronics). Other sectors identified with great export potential include, *viz*., engineering, leather, textiles, medical devices, natural resource based items, gems and jewellery, agri products, defence equipment, etc.

Monetary Developments

Reserve money grew by 9.0 per cent on a y-o-y basis for the week ended August 14, 2015 as compared with an increase of 9.9 per cent in the previous year. The moderation in reserve money was mainly due to slower growth in currency in circulation, on the components side. On the sources side, net domestic asset led to a deceleration in reserve money growth.

The y-o-y growth in broad money (M_3) was 10.9 per cent as on the fortnight ended August 9, 2015 as compared with a growth of 13.1 per cent in the same period of the previous year. On the components side, moderation in M_3 growth was mainly due to a lower growth in aggregate deposits. On the sources side, bank credit to the commercial sector expanded at a slower pace.

Fiscal Policy

The Union Budget 2015-16 has been formulated with the two-fold objectives of promoting inclusive growth and strengthening the federal structure. The Budget estimates (BE) for 2015-16 indicate a continuation of the process of fiscal consolidation albeit with revised roadmap, with all key deficit indicators (relative to GDP) set to decline. As a ratio to GDP, gross fiscal deficit (GFD) is budgeted to decline to 3.9 per cent. In provisional accounts (PA), the key deficit indicators of the Central Government for 2014-15, viz., revenue deficit (RD) and GFD, as ratios to GDP, were lower than the revised estimates, by 0.1 percentage point, each, at 2.8 per cent and 4.0 per cent, respectively. Reduction in revenue deficit in 2014-15 (PA) over the revised estimates for the year was brought about by cutbacks in plan and non-plan revenue expenditure. Reduction in revenue deficit, coupled with higher non-debt capital receipts and lower capital expenditure, resulted in a lower GFD compared to the revised estimates.

RD, primary deficit and GFD, as percentages to their budget estimates (BE), were lower during April-June 2015 than in the same period of the previous year. Gross tax revenue, both in absolute terms as well as percentage of BE, was significantly higher during this period than a year ago, with higher collections under indirect taxes viz., union excise duties, custom duties and service tax. Net tax revenue in this period, as percentage to BE, was also higher than in previous year, despite higher devolution to the states. Non-tax revenue, as percentage to BE, was significantly higher than previous year mainly on account of staggered receipts of payments from telecom service providers against the spectrum auction conducted in March 2015. Total expenditure, as percentage to BE, was higher than previous year due to higher expenditure on both revenue and capital account. Expenditure on major subsidies at 26.5 per cent of BE was significantly lower in April-June 2015 than a year ago (32.4 per cent). Capital expenditure during April-June 2015, was higher as percentage to BE, than in the previous year on account of high growth in plan capital expenditure.

HIGHLIGHTS ON MAJOR POLICY ANNOUNCEMENTS

August 4, 2015	Third Bi-monthly Monetary Policy of 2015-16 kept the policy rate unchanged while maintaining the accommodative stance of monetary policy. It was decided • Keep the policy repo rate under the liquidity adjustment facility (LAF) unchanged at 7.25 per cent; • Keep the cash reserve ratio (CRR) of scheduled banks unchanged at 4.0 per cent of net demand and time liability (NDTL); • Continue to provide liquidity under overnight repos at 0.25 per cent of bank-wise NDTL at the LAF repo rate and liquidity under 14-day term repos as well as longer term repos of up to 0.75 per cent of NDTL of the banking system through auctions; and • Continue with daily variable rate repos and reverse repos to smooth liquidity.
June 2, 2015	The Second Bi-monthly Monetary Policy (2015-16) decided to • Reduced the policy repo rate under the LAF by 25 basis points from 7.5 per cent to 7.25 per cent with immediate effect; and • Adjusted the reverse repo rate under the LAF to 6.25 per cent, and the MSF rate and the Bank Rate to 8.25 per cent.
April 23, 2015	Priority Sector Lending: Revision in Target and Classification • New Categories to the existing categories of the priority sector: Medium Enterprises, Social Infrastructure and Renewable Energy. • The distinction between direct and indirect agriculture is dispensed with and will also include loans to food and agro processing units. • Small and Marginal Farmers: A target of 8 per cent of ANBC or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher. • Micro Enterprises: A target of 7.5 per cent of ANBC or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher. • For foreign banks with less than 20 branches export credit of upto 32 per cent will be eligible as part of priority sector.
April 16, 2015	Differential rates of interest on term deposits allowed on the basis of tenor for deposits less than ₹ 1 crore and on the basis of quantum and tenor on term deposits of ₹ 1 crore and above.
April 8, 2015	Foreign Direct Investment (FDI) in Insurance sector in permitted up to 49 per cent of the paid up equity capital. Of this upto 26 per cent shall be under automatic route and beyond 26 percent and up to 49 per cent shall be with Government approval.
April 7, 2015	In the First Bi-monthly Monetary Policy of 2015-16, it was decided to • Keep the policy repo rate under the liquidity adjustment facility (LAF) unchanged at 7.5 per cent with immediate effect; and • Adjusted the reverse repo rate under the LAF to 6.5 per cent, and the MSF

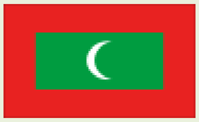
	rate and the Bank Rate to 8.5 per cent.
April 1, 2015	Formulated a scheme for setting up of International Financial Services Centres (IFSC) Banking Units (IBU) by Indian Banks whereby they can • Undertake transactions with non-resident entities other than individual / retail customers / HNIs. • Transact be in currency other than INR. • Deal with Wholly Owned Subsidiaries / Joint Ventures of Indian companies registered abroad. • Not allowed to open current or savings accounts nor issue bearer instruments or cheques, can use only bank transfers. • Undertake factoring / forfaiting of export receivables. • Undertake transactions in all types of derivatives and structured products with the prior approval of their Board of Directors.
March 4, 2015	The policy rate was cut on the basis of easing inflationary pressures, which provided some policy headroom and hence it was decided to • Reduced the policy repo rate under the LAF by 25 basis points from 7.75 per cent to 7.5 per cent.
February 20, 2015	The Government of India and the Reserve Bank of India entered into an agreement on the Monetary Policy Framework. Key features are: • The objective of monetary policy is to primarily maintain price stability while keeping in mind the growth objective; • The Reserve Bank will aim to bring inflation below 6 per cent by January 2016. The target for 2016-17 and all subsequent years will be 4 per cent with a band of +/- 2 per cent; and • The agreement defines failure and setting out a report by the Bank to the Central Government in case of a failure. Allowed banks to access fixed rate Reverse Repo and Marginal Standing Facility (MSF) windows on all Saturdays effective from February 21, 2015.
February 03, 2015	In the Sixth Bi-Monthly Monetary Policy (2014-15), it was decided to • Keep the policy repo rate under the Liquidity Adjustment Facility (LAF) at 7.75 per cent; • Keep the cash reserve ratio (CRR) at 4.0 per cent of Net Demand and Time Liabilities (NDTL) were kept unchanged; • Reduce the statutory liquidity ratio (SLR) of scheduled commercial banks by 50 basis points from 22.0 per cent to 21.5 per cent of their NDTL with effect from the fortnight beginning February 7, 2015; It was also decided to merge the Export Credit Refinance (ECR) facility with the system level liquidity provision with effect from the fortnight beginning on February 7, 2015. Accordingly, no new refinancing under the ECR will be available after February 6, 2015 and the refinancing availed up to February 6, 2015 may continue till its maturity.

KEY CONOMIC INDICATORS OF INDIA

	Unit	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
I. Real Sector												
Per Capita GDP (Real)$	US$	607	664	701	851	785	814	909	911	1381	1311	1374
Real GDP Growth$	%	7.0	9.5	9.6	9.3	6.7	8.6	8.9	6.7	5.1	6.9	7.3
GDP (MP at Current Prices)$	Billion US$	722	834	948	1241	1227	1367	1707	1881	1836	1875	2051
Agriculture Growth	%	0.2	5.1	4.2	5.8	0.1	0.8	8.6	5.0	1.2	3.7	0.2
Industry Growth	%	7.5	8.5	12.9	9.2	4.1	10.2	8.3	6.7	5.1	5.3	6.6
Services Growth	%	9.1	11.1	10.1	10.3	9.4	10.0	9.2	7.1	6.0	8.1	9.4
Investment	% of GDP(MP)	32.8	34.7	35.7	38.1	34.3	36.5	36.5	35.5	36.6	32.2	
Domestic Savings$$	% of GDP(MP)	32.4	33.4	34.6	36.8	32.0	33.7	33.7	31.3	31.3	30.0	
Overall CPI^	%	3.8	4.4	6.7	6.2	9.1	12.4	10.4	8.4	10.2	9.5	5.9
CPI-Food & Beverages	%	2.2	4.1	9.2	8.4	12.3	15.2	9.9	6.3	11.9	11.1	6.5
CPI-Fuel & Light	%	8.2	-4.5	5.7	2.2	8.2	3.6	9.8	15.3	8.5	7.4	4.2
CPI-Excluding Food and Fuel	%	5.6	6.6	3.2	4.6	6.0	10.5	11.2	9.8	8.7	8.1	6.7
II. **Fiscal Sector**												
Revenue Collection (CSR) **	Billion Rs.	3059.9	3470.8	4343.9	5418.6	5402.6	5728.1	7884.7	7514.4	8792.3	10147	11263[@]
Fiscal Deficit (excluding grants)	% of GDP											
Fiscal Deficit (including grants)	% of GDP	3.9	4	3.3	2.5	6	6.5	4.8	5.7	4.8	4.4	4.1[@]
Public Debt	% of GDP	41.2	40.2	38.4	38.5	38.1	38	36.2	37.7	39.4	39.0	39.6
- of which external debt***	% of GDP	1.9	2.6	2.4	2.2	2.2	2.1	2	1.9	1.7	1.6	1.5[@]
- domestic debt ****	% of GDP	39.4	37.6	36	36.3	35.9	35.9	34.2	35.8	37.7	37.4	38.1[@]
- debt servicing	% of total Revenue											
III. External Sector												
Exports (f.o.b)	Billion US$	85.2	105.2	128.9	166.2	189.0	182.4	256.2	309.8	306.6	318.6	316.7
Imports (c.i.f)	Billion US$	118.9	157.1	190.7	257.6	308.5	300.6	383.5	499.5	502.2	466.2	460.9
Trade Deficit	Billion US$	-33.7	-51.9	-61.8	-91.5	-119.5	-118.2	-127.3	-189.8	-195.7	-147.6	-144.2
Remittances	Billion US$	20.5	24.5	29.8	41.7	44.6	51.8	53.1	63.5	64.3	65.3	66.3
Current Account Balance	Billion US$	-2.5	-9.9	-9.6	-15.7	-27.9	-38.2	-48.1	-78.2	-88.2	-32.4	-27.9
Current Account Balance	% of GDP	-0.3	-1.2	-1	-1.3	-2.3	-2.8	-2.8	-4.2	-4.7	-1.7	-1.4
Total Foreign Investment	Million US$	13000	15528	14753	43326	8342	50363	42127	39231	46711	26386	73561
- Foreign Direct Investment	Million US$	3713	3034	7693	15893	22372	17966	11834	22061	19819	21564	32627
- Portfolio Investment	Million US$	9287	12494	7060	27433	-14031	32396	30293	17170	26891	4822	40934
External Debt and Forex Liabilities	Billion US$	134.0	139.1	172.4	224.4	224.5	260.9	317.9	360.8	409.5	446.3	475.8
External Debt and Forex Liabilities	% of forex earnings	105.6	109.0	115.6	138.0	112.2	106.9	95.9	81.6	71.3	68.2	71.8
Short-term debt to GDP	%	2.4	2.4	2.9	3.7	3.9	3.6	3.7	4.5	5.3	4.9	4.2
External Debt Servicing Ratio (pl see footnote)		5.9^^	10.1###	4.7	4.8	4.4	5.8	4.4	6.0	5.9	5.9	7.5
Exchange Rate	Per US$	44.9	44.3	45.3	40.2	45.9	47.4	45.6	47.9	54.4	60.5	61.1
Foreign Exchange Reserves	Billion US$	142	152	199	310	252	279	305	294	292	304	342
IV. Monetary & Capital Market												
Growth Rate of M_1	y-o-y	12.3	20.7	17.1	19.4	9.0	18.2	10.0	6.0	9.2	8.5	11.3[P]
Growth Rate of M_2	y-o-y											
Growth Rate of M_3	y-o-y	12.0	16.9	21.7	21.4	19.3	16.9	16.1	13.5	13.6	13.4	10.8[P]
Weighted Avg Lending Rate of SCBs	% (as on 31st March)											
Bank Credit to commercial sector(%)	%	25.6	27.3	26.1	21.1	16.9	15.8	21.3	17.8	13.5	13.7	9.2[P]
Stock Market (Price Index) (BSE)	End 1991=100	555.9	965.8	1119.2	1339.5	831.2	1500.7	1664.9	1490.1	1612.7	1916.7	2393.7
Market Capitalization (as leading stock mkt)	Domestic Currency in Billion	16984.3	30221.9	35450.4	51380.2	30860.8	61656.2	68390.8	62149.1	63878.9	74153.0	101492.9
Market Capitalization (as leading stock mkt)	% of GDP	52.4	81.8	82.5	103.0	54.8	95.2	87.9	69.0	63.2	65.5	80.9
Market Capitalization (as leading stock mkt)	Billion US$	388.7	679.4	805.2	1273.2	602.4	1355.2	1520.1	1235.1	1209.6	1215.4	1625.2
V. Banking Sector Indicators												
Capital adequacy ratio	%	12.8	12.3	12.3	13.0	13.2	13.6	13.0	12.9	13.9	13.02	
Non-performing loans	%	5.2	3.3	2.5	2.3	2.3	2.4	2.5	3.1	3.2	3.8	
Profitability (R.O.E.)	%	15.8	14.8	15.5	16.0	15.4	14.3	15.0	14.6	13.8	10.7	
Profitability (R.O.A.)	**%**	1.0	1.0	1.1	1.1	1.1	1.1	1.1	1.1	1.0	0.8	

Note: P: Provisional Data
$: The data from the year 2012-13 onwards is in new GDP series (with base 2011-12).
$$: Domestic saving is a ratio to Gross National Disposable Income (GNDI) from 2012-13 onwards.
*: figures for 2002-03 to 2011-12 correspond to CPIIW and thereafter CPI-Combined. Further, base 1986-87 =100 for 2002-03 to 2006-07 and base 2001=100 for 2007-08 to 2011-12 in case of CPIIW; for CPI-Combined base 2010=100 for 2012-13 and 2013-14 and 2012=100 for 2014-15.
**: Pertains to revenue receipts of the central government.
@: pertains to revised estimates.
***: External debt at historical exchange rate.
****: Pertains to internal debt.
&: Works out to12.4 per cent, with the exclusion of pre-payment of US$ 3.4 billion.
&&: Works out to 8.2 per cent, with the exclusion of pre-payment of US$ 3.8 billion and redemption of Resurgent India Bonds (RIBs) of US$ 5.5 billion.
^: Works out to 5.7 per cent, with the exclusion of pre-payment of US$ 381 million.
#: Works out to 6.3 per cent, with the exclusion of India Millennium Deposits (IMDs) repayments of US$ 7.1 billion and pre-payment of US$ 23.5 million.
P: Provisional Data
@@CRAR under Basel II

MALDIVES



RECENT OVERALL MACROECONOMIC DEVELOPMENTS

In the second half of 2014, the tourism sector showed sluggish growth compared to the corresponding period of 2013, with a decline in tourist arrivals from the European market, particularly Russia, while the growth from the Asian market moderated due to the slowdown in arrivals from China. Total tourist arrivals surpassed the record high reached at the end of 2013 and totalled 1.2 million tourists by the end of 2014. Supported by the growth of the tourism sector, other sectors such as wholesale and retail trade performed strongly during the latter half of the year. The construction sector meanwhile showed positive developments, mainly supported by continued large-scale government projects.

As for the developments in prices, consumer price inflation decelerated to 2.0 % in the last six months of the year from an average of 2.9% in the first six months of the year. The rate of inflation stood at 1.2% at the end of December 2014. The deceleration in inflation was mainly contributed by the fall in the price of food items which reflected significant declines in prices of fruits and vegetables, particularly onions. The fall in onion prices was due to the decline in onion prices in India. The decline in domestic food prices also reflected the persistent easing of global food prices. As such, despite the hike in the price of fish in the domestic market, food inflation (excluding fish) witnessed a decrease during the second half of the year.

Fiscal conditions continued to remain challenging in the second half of 2014 as the new revenue measures proposed under the 2014 budget did not fully materialise. Total revenue, however, increased markedly during the latter half of the year due to higher receipts from bank profit tax (due in the third quarter of the year) and business profit tax (the second interim payment falls in June/July) and the increase in transfers from state-owned enterprises. On the spending side, total expenditure increased during this period, due to increases in both recurrent and capital expenditure. Recurrent expenditure rose during the latter half of the year due to the increase in pensions which reflected the introduction of a senior citizens allowance in February 2014, as well as due to increases in salaries and allowances. Meanwhile, capital expenditure rose mainly due to an increase in spending on public sector investment projects compared to the latter half of 2013. With the expanding budget deficit, the government relied mostly through T-bills subscriptions to finance the deficit during this period.

On the monetary front, monetary aggregates continued to record buoyant growth during the latter half of the year. As such, the annual growth rate of both broad money and reserve money accelerated during this period. The growth in broad money was largely due to an increase in net foreign assets of the banking system, which was almost entirely due to the growth in inward transfers by commercial banks. Meanwhile, bank credit to the private sector grew moderately on average in the last six months of 2014, which reflected the improving asset quality of the banking system.

Owing to a higher level of imports together with falling exports, the external trade deficit further widened in the last six months of 2014. The increase in imports largely reflected the improvement in the real sector activities, especially the growth in tourism as well as wholesale and retail trade and construction, towards the latter half of the year. Gross international reserves[5] improved markedly by the end of December 2014, contributed by the accumulation of foreign assets by the commercial banks. In terms of import cover, reserves increased to 3.7 months of imports at the end of 2014 from 2.5 months of imports at the end of 2013.

HIGHLIGHTS ON MAJOR POLICY ANNOUNCEMENTS

The objectives of the monetary policy framework remained broadly unchanged during the period July–December 2014. Accordingly, the key objective of the MMA's monetary policy remains attaining the price stability and managing an adequate level of external reserves. The MMA uses the exchange rate as the

[5] Gross international reserves comprises Maldives' reserve position in the IMF, commercial banks' US dollar reserve accounts, foreign currency deposits of both the MMA and the government.

intermediary target for achieving the monetary policy objectives. To maintain the exchange rate at a stable rate, the MMA continues to manage the rufiyaa liquidity in the banking system using the policy instruments. At present, the policy instruments used are the Minimum Reserve Requirement (MRR), Open Market Operations (OMOs), MMA's standing facilities: overnight Lombard facility (OLF), and overnight deposit facility (ODF) and foreign exchange SWAP facility.

During the last six months of 2014, major changes were brought to the interest rate corridor of the MMA. Given the macroeconomic conditions, MMA lowered the rates for both the standing facilities (ODF and OLF), and the indicative policy rate (IPR), effective from September 2014. As such, the interest rate on ODF was lowered from 3% to 1.5% per annum while the OLF rate was reduced from 12% to 10%, per annum. During this period, the IPR was also lowered from 7% to 4% per annum. The IPR is an indicative rate for conducting the OMOs and signalling the policy stance of the MMA.

Despite the temporary suspension in OMOs in May 2014, MMA continued to conduct monetary operations via the ODF to manage the excess liquidity in the banking system. As for the MRR, the rate remained unchanged at 20% for both local and foreign currency deposits since 20th February 2014.

KEY ECONOMIC INDICATORS OF MALDIVES

	Unit	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
I. Real Sector												
Per Capita GDP/[1]	US$	5642.5	5204.6	6155.8	6623.7	7212.8	6936.1	7366.7	8154.7	8336.7	8601.9	9319.2
Real GDP Growth/[2]	%	14.1	-8.6	20.7	10.8	12.5	-5.5	7.1	12.6	3.0	8.8	8.5
GDP/[3]	Million US$	1202.2	1119.8	1474.7	1746.0	2117.8	2166.3	2332.5	2466.1	2525.5	2695.8	3024.5
Agriculture	% of GDP	5.4	6.3	5.5	4.4	3.8	3.8	3.5	3.4	3.3	3.3	3.0
Industry	% of GDP	16.1	19.5	17.9	19.9	19.4	14.9	14.5	15.3	15.2	14.3	15.2
Services	% of GDP	80.4	75.9	78.1	77.1	78.0	82.3	83.0	82.5	82.6	83.5	83.0
Investment	% of GDP	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
National Savings	% of GDP	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Headline Inflation/[4]	%	-1.7	1.3	2.7	6.8	12.0	4.5	6.1	11.3	10.9	4.0	2.4
Food Inflation/[5]	%	16.0	7.8	4.0	16.2	19.1	0.5	7.5	19.9	17.7	7.5	1.0
Non-Food Inflation/[6]	%	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	2.9
Core inflation	%	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	968.6
Fiscal Deficit (excluding grants)	% of GDP	-1.5	-13.0	-8.9	-7.9	-11.9	-20.3	-14.8	-8.6	-8.6	-4.2	-4.1
Fiscal Deficit (including grants)	% of GDP	-1.0	-7.3	-4.3	-3.2	-10.0	-18.8	-14.3	-6.6	-7.6	-3.9	-3.2
Public Debt/[8]	% of GDP	NA	NA	NA	NA	NA	NA	74.3	73.8	77.6	61.6	66.7
- of which foreign currency(debt)	% of GDP	27.1	34.9	38.6	47.4	41.5	43.1	41.2	39.2	32.3	27.7	26.1
- domestic debt	% of GDP	9.1	14.1	13	13	15.1	NA	NA	NA	NA	NA	NA
- debt servicing	% of total revenue	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
III. External Sector/9												
Exports (f.o.b)	Million US$	NA	NA	NA	NA	NA	NA	NA	346.4	314.4	331.0	325.5
Imports (f.o.b.)	Million US$	NA	NA	NA	NA	NA	NA	NA	1716.8	1575.8	1703	1988.4
Trade Deficit	Million US$	NA	NA	NA	NA	NA	NA	NA	-1370.4	-1261.4	-1372	-1663
Remittances	Million US$	NA	NA	NA	NA	NA	NA	NA	-239.4	-259.3	-265.0	-307.7
Current Account Balance	Million US$	NA	NA	NA	NA	NA	NA	NA	-422.8	-269.6	-176.1	-290.0
Current Account Balance	% of GDP	NA	NA	NA	NA	NA	NA	NA	-17.1	-10.7	-6.5	-9.6
Total Foreign Investment	Million US$											
- Foreign Direct Investment/[10]	Million US$	NA	NA	NA	NA	NA	NA	NA	423.5	228	360.8	355
- Portfolio Investment	Million US$	NA	NA	NA	NA	NA	NA	NA	0.1	53.1	-53.3	0.0
External Debt and Forex Liabilities/[10]	Million US$	315.7	379.3	557.6	828.3	878.7	933.7	961.7	913.4	815.9	793.2	836.2
External Debt and Forex Liabilities	% of forex earnings	NA	NA	NA	NA	NA	NA	NA	37.3	33.4	27.9	26.2
Short-term debt to GDP	%											
External Debt Servicing Ratio/[12]	***	NA	NA	NA	NA	NA	NA	NA	2.7	3.3	2.1	2.7
Exchange Rate/[11]	Per US$	12.8	12.8	12.8	12.8	12.8	12.8	12.8	15.4	15.4	15.4	15.4
Foreign Exchange Reserves	Million US$	203.6	186.4	231.6	308.4	240.6	261	350.2	334.9	304.5	368.3	614.7
IV. Monetary & Capital Market												
Growth Rate of M1/[12]	y-o-y	19.7	22.5	22.2	20.0	37.1	22.3	1.1	8.7	2.9	23.6	7.5
Growth Rate of M2/[13]	y-o-y	31.4	10.6	18.9	24.1	21.8	14.4	14.6	20.0	4.9	18.4	14.7
Growth Rate of M3/[14]	y-o-y	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Weighted Avg Lending Rate/[15]	%	NA	NA	NA	NA	NA	NA	10.4	10.2	10.5	11.4	11.4
Credit growth to Private Sector	%	58.1	59.6	48.6	49.4	29.7	-4.1	-2.3	5.9	-9.9	0.9	3.3
Stock Market (Price Index)/[16]	2002=100	239.6	199.8	137.6	342.7	287.1	229.6	211.2	157.4	149.7	114.6	134.1
Market Capitalisation (as leading stock mkt)	Domestic Currency in million	NA	1113.3	766.8	11450.2	2246.1	1862.0	1726.1	1286.9	7528.1	NA	NA
Market Capitalisation (as leading stock mkt)	% of GDP	NA	8.76	4.6	58.01	9.28	7.33	6.32	4.09	22.05	NA	NA
Market Capitalisation (as leading stock mkt)	million US$	NA	86.97	59.91	894.54	175.48	145.47	134.85	83.51	489.95	NA	NA
V. Banking Sector Indicators												
Capital adequacy ratio	%	23.54	19.81	16.73	17.21	17.47	20.97	24.70	28.90	29.30	35.80	35.20
Non performing loans	%	10.26	6.37	6.59	2.36	1.59	8.90	12.70	17.20	19.40	21.00	17.70
Profitability (R.O.E.)	%	20.50	37.00	40.80	53.50	30.75	19.04	13.70	11.60	15.00	13.60	23.50
Profitability (R.O.A.)	%	2.12	4.50	4.80	6.40	4.09	3.13	2.20	2.00	2.60	2.50	5.00

Note: 2014-15 refers to 2014 values and the same is followed accordingly for previous years.

* 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 Male' series 12 month moving average is taken for Headline Inflation and Food Inflation.
5. 5 - Refers to inflation in "Food and non-alcoholic beverages" for the Male' series.
6. 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 12.8; to 2011 is 14.71; 2012-2014 is 15.39. These are the average of the monthly reference rates (mid-rate of the buying and selling rates) for the year.
8. Public Debt refers to Public and publicly guaranteed (medium and long term)debt of Total external debt outstanding and disbursed.
9. Balance of payments data is only available from 2011 onwards as the methodology and assumptions of BOP data have been revised.
10. Government and Commercial Banks' External Debt stock outstanding Debt service (Principle and Interest Payment) divided by Export of Goods and Services (XGS).
11. End of period reference rate.
12. This refers to the narrow money.
13. This refers to the broad money or total liquidity.
14. M3 is not calculated in Maldives.
15. This refers to the Weighted average lending rate to the private sector in national currency which is available from 2010 onwards.
16. Stock market index (2002=100) represents the end of period.
17. NA refers to not available.

NEPAL

RECENT OVERALL MACROECONOMIC DEVELOPMENTS

Real Sector

Nepal's economic growth in the year 2014/15 is estimated to stagnate at 3.0 percent at basic prices owing to unfavorable climate for agriculture and adverse impact of the recent devastating earthquakes of 25 April 2015 and 12 May 2015 on non-agricultural sector. In the year 2014/15, while the agricultural sector is estimated to grow by 1.9 percent, the non-agricultural sector is estimated to grow by 3.6 percent against the respective growth rates of 2.9 percent and 6.3 percent in the previous fiscal year. Among the non-agricultural sector, the growth of industrial sector is estimated to grow by 2.6 percent and that of service sector by 3.9 percent. These sectors had grown by 6.2 percent and 6.4 percent respectively in the previous year.

Price Situation

The annual average consumer price inflation is estimated to increase by 7.4 percent in the year 2014/15 compared to the rise of 9.1 percent in the previous year. In the review period, while the price index of food and beverage group went up by 9.5 percent that of non-food and services group rose by 5.5 percent. In the corresponding review period of the last year the increase in inflation of food and beverage group and non-food and services group was 11.6 percent and 6.8 percent respectively.

The y-o-y inflation as measured in wholesale price index has increased by 5.4 percent in the review period of 2014/15 compared to a rise of 9.1 percent in the corresponding period of previous year. This year, the price indices of agricultural commodities, imported commodities and domestic manufactured commodities rose by 9.4 percent, (2.2) percent and 4.5 percent compared to the respective increment of 11.9 percent, 5.0 percent and 7.3 percent in the corresponding review period of 2013/14.

Monetary Situation

Broad money supply (M2) increased by 15.1 percent in the eleven months of 2014/15 compared to an increase of 13.5 percent in the corresponding period of the previous year. Narrow money supply (M1), on the other hand, increased by 11.9 percent during the review period compared to an increase of 11.6 percent in the same period of the previous year. Claims on private sector increased by 18.5 percent during the review period compared to 16.5 percent in the corresponding period of the previous year.

Net foreign assets (after adjusting foreign exchange valuation gain/loss) increased by 21.2 percent to Rs. 127.20 billion during the review period compared to an increase of 23.4 percent to Rs. 109.56 billion in the corresponding period of the previous year. This expansion in the net foreign assets in this review period is due to an increase in remittance inflow. In 2014/15, the overall deposit mobilization of banks and financial institutions (BFIs) increased by 15.4 percent compared to 12.5 percent in the previous year. While the deposit mobilization of commercial banks increased by 17.0 percent, that of development banks and finance companies rose by 5.0 percent and 3.0 percent respectively in the review period. In the corresponding review period of 2013/14 the increment in deposit mobilization was 12.0 percent, 20.3 percent and 4.8 percent for commercial banks, development banks and finance companies respectively.

In 2014/15, the loan and advances of BFIs grew by 15.3 percent compared to a growth of 13.2 percent in the previous year. In the review period, while the loan and advances of commercial banks rose by 16.7 percent that of development banks and finance companies increased by 6.8 percent and 5.9 percent. Credit flows from BFIs to private sector increased by 17.8 percent compared to a rise of 15.7 percent in the corresponding review period of 2013/14. While the credit flows to private sector from commercial banks grew by 20 percent, development banks and finance companies posted a growth of 10.3 percent and 6.5 percent respectively. BFIs' credit exposure to industrial production, construction, wholesale and retail trade has shown a remarkable growth in the review period.

In the eleven months of 2014/15, the NRB mopped up liquidity of Rs. 105.0 billion through deposit auctions, Rs. 290.80 billion through reverse repo auction and Rs. 6.0 billion through outright sale auction on cumulative basis. In the corresponding period of the previous year, Rs. 523.50 billion was mopped up through reverse repo and Rs. 8.50 billion through outright sale auction.

Both weighted average 91-day Treasury bill rate and inter-bank transaction rates have increased in the eleventh month of 2014/15 compared to the last year. The weighted average 91-days Treasury bill rate increased to 0.37 percent from 0.13 percent a year ago. The weighted average inter-bank transaction rate among commercial banks that was 0.18 percent last year reached 0.24 percent in the review month. Likewise, the weighted average inter-bank rate among other financial institutions increased to 3.86 percent compared to the rise of 2.20 percent a year ago. The weighted average interest rate spread of commercial banks inched up to 4.79 percent and the average base rate came down to 7.69 percent corresponding to the respective figures of 4.62 percent and 8.23 percent a year ago.

Fiscal Situation

During the eleven months of 2014/15, Government of Nepal's (GoN) budget on cash basis remained at a surplus of Rs. 31.98 billion. Such budget surplus was Rs. 53.69 billion in the corresponding period of the previous year.

During the review period this year, revenue mobilization of GoN grew by 12.1 percent to Rs. 345.36 billion. The revenue had risen by 19.7 percent to Rs. 308.21 billion in the corresponding period of the previous year. The lower growth rates of VAT, customs revenue, excise and non-tax revenue accounted for the overall decline in the revenue growth rate this year. During the review period, total government expenditures on cash basis increased by 21.3 percent to Rs. 371.91 billion compared to an increment of 19.1 percent to Rs. 306.65 billion in the corresponding review period of 2013/14.

External Sector Situation

Merchandise exports decreased by 4.8 percent to Rs. 77.83 billion in the eleven months of 2014/15. Such exports had increased by 16.9 percent to Rs.81.73 billion during the same period in the previous year. In the same period, merchandise imports surged by 7.0 percent to Rs. 690.70 compared to a rise of 27.0 percent to Rs. 645.70 billion in the corresponding period of the previous year. The growth of imports remained low mainly due to the decrease in the price of petroleum products and decrease in the imports of gold, betelnut, coal, MS wire rod, among others. Total trade deficit during the review period grew by 8.7 percent to Rs. 612.87 billion compared to an increase of 28.6 percent during the same period of the previous year.

The overall BoP recorded a surplus of Rs. 127.20 billion (USD 1.26 billion) during the eleven months of 2014/15 compared to a surplus of Rs. 109.56 billion (USD 1.10 billion) during the same period of the previous year. The current account posted a surplus of Rs. 95.29 billion (USD 939.2 million) during the review period compared to a surplus of Rs. 77.84 billion (785.4 million) in the same period of the previous year.

The net services remained at a surplus of Rs. 24.32 billion in the review period compared to a surplus of Rs. 19.73 billion in the same period of the previous year. During the review period, net transfers registered a growth of 10.4 percent to Rs. 631.33 billion compared to a growth of 28.1 percent last year. Workers' remittances grew by 12.4 percent to Rs. 551.74 billion (USD 5.55 billion) in the review period compared to a growth of 26.4 percent in the same period of the previous year. Similarly, under the financial account, foreign direct investment of Rs. 3.70 billion was recorded in the review period.

The gross foreign exchange reserves increased by 21.7 percent to Rs. 809.48 billion (USD 7.92 billion) in the review period. Based on the trend of imports during the eleven months of the current fiscal year, the current level of reserves is sufficient for financing merchandise imports of 13.1 months, and merchandise and services imports of 11.3 months.

HIGHLIGHTS ON MAJOR POLICY ANNOUNCEMENTS

Monetary Policy for the Fiscal Year 2015/16 has adopted a balanced policy stance in order to control the possible demand-pull inflation as a result of expansion in economic activities due to the implementation of the fiscal policy. It has taken into consideration the Post Disaster Needs Assessment (PDNA) report prepared by the Government of Nepal and holds an objective of assisting in the process of reconstruction and achieving targeted economic growth, and therefore will be focused at controlling the monetary aggregates, proper revenue mobilization and enhancing investment in productive sector through maintaining interest rate stability. The Monetary Policy 2015/16 has further prioritized ensuring inclusive financial access and enhancing financial literacy. It has set the target of containing annual average consumer price index (CPI) inflation at 8.5 percent and maintaining foreign exchange reserves sufficient to cover the import of goods and services for at least 8 months. In addition, the policy has also made an arrangement for providing adequate credit to support the targeted economic growth of 6.0 percent. The growth rate of broad money is projected to remain at 18.0 percent for 2015/16.

The Cash Reserve Ratio (CRR) to be maintained by BFIs has been kept unchanged at 6.0 percent for 'A' class, 5.0 percent for 'B' class and 4.0 percent for 'C' class financial institutions. The bank rate however has been decreased to 7.0 percent considering the country's situation after the earthquake.

NRB has taken significant initiatives to promote the financial stability through its monetary policy for the Fiscal Year 2015/16. Some of the major highlights of the monetary policy pertaining to promoting financial stability includes increment in the minimum paid-up capital requirement for bank and financial institutions (BFIs); extension of bank's regulation and supervision to previously unregulated institutions performing payment and settlement functions; development of mechanism for identification of Systematically Important Banks and stipulation of additional guidelines for regulating and supervising such institutions; establishment of Real Time Gross Settlement System; encouraging for entering into the consortium for borrowers who are doing multiple banking; requirement to have a contingency management framework for BFIs; introduction of liquidity based prompt corrective action (PCA); enhancement in the limit of deposit insurance; requirement for BFIs to replace existing magnetic strip cards by chip based cards among others. Also, Financial Sector Development Strategy (FSDS) with the objective of overall development and stability of the financial sector has already been formulated and is waiting for approval from the GoN.

Furthermore, through monetary policy NRB is determined for effective implementation of its’ new refinance policy to BFIs regarding providing home loan at maximum 2 percent interest rate to the earthquake victims.

NRB has also taken significant initiatives through its monetary policy for enhancing access to finance. Some of the initiatives in this regard includes special refinance rate of 1.0 percent to encourage income generating activities in the specific districts, VDCs and Municipalities that are most hard-hit by poverty; increase in existing deprived sector-lending requirement for BFIs by 0.5 percent point (5.0 percent for 'A' class, 4.5 percent for 'B' class and 4.0 percent for 'C' class financial institutions); emphasis on the formulation of National Financial Literacy Policy in order to enhance the inclusive financial access and protect the welfare of customers to financial services among others.

In conclusion, the monetary policy 2015/16 will aim at achieving overall economic stability by assisting in the process of revival of the country's economy that had been greatly disrupted by the recent earthquakes.

KEY ECONOMIC INDICATORS OF 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
I. Real Sector												
Per Capita GDP	US$	328	350	410	491	497	610	714	702	707	717	762°
Real GDP Growth at Producer's Price	%	3.5	3.4	3.4	6.1	4.5	4.8	3.4	4.8	3.9	5.4	3.4
Current GDP at Producer's Price	Billion US$	8.3	9.0	10.3	12.5	12.9	16.0	18.9	18.9	19.2	19.4	21.6°
Agriculture	% of GDP	35.2	33.6	32.5	31.7	33.0	35.4	37.1	35.2	33.9	33.1	31.3
Industry	% of GDP	17.1	16.7	16.6	16.8	15.9	15.1	14.9	15.0	15.2	14.7	15.2°
Services	% of GDP	47.7	49.7	50.9	51.5	51.2	49.5	48.0	49.8	51.0	52.2	53.5°
Investment	% of GDP	26.5	26.9	28.7	30.3	31.7	38.3	38.0	34.5	36.9	37.1	NA
National Savings	% of GDP	28.4	29.0	28.6	33.2	35.9	35.9	37.0	39.5	40.3	46.4	44.6°
Headline Inflation	%	4.5	8.0	6.4	7.7	13.2	9.6	9.6	8.3	9.9	9.1	7.4
- Food Inflation	%	4.0	7.8	7.2	10.1	16.7	15.1	14.7	7.7	9.6	11.6	9.5
- Non-Food Inflation	%	5.1	8.1	5.5	5.1	9.5	4.9	5.4	9.0	10.0	6.8	5.5
- Core inflation	%	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
II. Fiscal Sector												
Revenue Collection (CSR)	Billion US$	0.98	1.0	1.25	1.66	1.87	2.40	2.75	3.03	3.40	3.62	3.48
Fiscal Deficit (excluding grants)	% of GDP	-5.5	-5.9	-6.3	-6.6	-7.7	-6.7	-7.0	-6.2	-3.5	-4.66	-6.07
Fiscal Deficit (including grants)	% of GDP	-3.1	-3.8	-4.1	-4.1	-5.0	-3.5	-3.6	-3.5	-1.5	-2.2	-4.3
Public Debt*	% of GDP	53.3	51.6	45.7	46.1	40.8	33.9	32.5	34.3	32.2	28.5	24.5°
- of which foreign currency	% of GDP											
- domestic debt#	% of GDP	1.5	1.8	2.5	2.5	1.9	2.5	3.1	2.4	1.1	2.3	1.96
- debt servicing^	% of total revenue	28.2	28.3	26.1	21.1	18.8	16.0	15.1	14.5	16.4	16.6	13.8
III. External Sector												
Exports (f.o.b)	Billion US$	0.8	0.9	0.9	1.0	0.9	0.9	1.0	1.0	1.0	1.0	0.8
Imports (f.o.b.)	Billion US$	2.0	2.4	2.7	3.4	3.6	5.0	5.4	5.6	6.2	7.1	6.95
Trade Deficit	Billion US$	-1.2	1.5	1.8	2.4	-2.7	-4.1	-4.4	-4.6	-5.3	-6.1	-6.2
Remittances	Billion US$	0.9	1.4	1.4	2.2	2.7	3.1	3.5	4.4	4.9	5.5	5.56
Current Account Balance	Billion US$	0.2	0.2	0.1	0.4	5.4	-0.4	-0.2	0.9	0.6	0.9	0.1
Current Account Balance	% of GDP	1.9	2.3	0.4	3.0	4.2	-2.4	-0.9	4.5	3.4	4.7	4.5
Total Foreign Investment	Million US$	1.9	-6.5	5.1	4.5	23.8	39.0	90.0	112.5	102.0	32.5	37.3
- Foreign Direct Investment	Million US$	1.9	-6.5	5.1	4.5	23.8	39.0	90.0	112.5	102.0	32.5	37.3
- Portfolio Investment	Million US$	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
External Debt and Forex Liabilities	Billion US$	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
Short-term debt to GDP	%	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
Exchange Rate@	Per US$	70.4	74.1	64.9	68.5	78.1	74.4	71.0	88.6	95.0	95.9	99.3
Foreign Exchange Reserves	Billion US$	1.9	2.2	2.6	2.6	3.7	3.6	3.8	5.0	5.6	6.9	8.2
IV. Monetary & Capital Market												
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	11.9
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	15.1
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	15.2
Weighted Avg Lending Rate	%	NA	NA	NA	NA	NA	NA	NA	12.4	12.1	10.6	9.6
Credit growth to Private Sector	%	14.2	14.4	12.3	24.3	29.0	17.9	13.9	11.3	20.2	18.3	20.9
Stock Market (Price Index)	1991=100	286.7	386.8	683.9	963.4	749.1	477.7	362.9	389.7	518.3	1036.1	933.7
Market Capitalization (as leading stock mkt)	Domestic Currency in Billion	61.4	96.8	186.3	366.2	512.9	376.9	323.5	368.3	514.5	1057.2	959.7
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	54.8	45.2
Market Capitalization (as leading stock mkt)	Billion US$	0.9	1.3	2.7	5.7	6.7	5.1	4.5	4.6	5.9	10.8	9.7
V. Banking Sector Indicators												
Capital adequacy ratio	%					7.2	9.6	10.6	11.5	13.2	11.3	12.3
Non performing loans	%					3.6	2.5	3.2	2.6	2.6	3.8	3.4
Profitability (R.O.E.)	%	NA	NA	NA	NA	NA	NA	NA	11.4	13.2	14.4	17.1
Profitability (R.O.A.)	%	NA	NA	NA	NA	NA	NA	NA	1.2	1.4	1.5	1.3

Fiscal year in Nepal starts at mid – July

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

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

Foot Notes:

* = Includes both gross domestic and external borrowing; # = Gross domestic debt; ^ = Includes both domestc and external debt servicing; @ = Represents the exchange rate of the last day of the fiscal year; ** = Including the consolidated balance sheet of 'B' and 'C' class Financial Institutions since July 2011; ° = Based on First eight months data of 2014/15.

PAKISTAN

RECENT OVERALL MACROECONMIC DEVELOPMENTS

Pakistan's macroeconomic indicators improved during FY15. The CPI inflation witnessed a sharp decline, along with its benign outlook and improvements in external account. Further, narrowing of fiscal deficit; continuation of Extended Fund Facility (EFF); and better overall economic management helped improve market sentiments. These developments led to an upgrade of Pakistan's sovereign ratings by international rating agencies. The macroeconomic stability also reflected positive impact on real economic activity going forward.

The real GDP growth continues to nudge upwards. It grew by 4.2 percent in FY15, slightly higher than 4.0 percent in FY14, but lower than the 5.1 percent target set for GDP growth in FY15. The growth in GDP was mainly supported by robust performance of services, construction, mining and quarrying sectors. However, the industrial sector missed the target for FY15 due to lower growth in Large-scale Manufacturing and electricity generation. As regards agriculture sector, it managed to record some improvement despite some losses to major crops from untimely and heavy rains.

The average CPI inflation during FY15 has come down to 4.5 percent, substantially lower than annual target of 8.0 percent and a year earlier inflation of 8.6 percent. After moderation in first quarter of FY15, decline in inflation gained momentum from October 2014 onward mainly due to sharp fall in global oil price and better domestic availability of major food items. The deceleration in inflation had been broad based as both measures of core inflation, non-food non-energy (NFNE) and 20 percent trimmed, also witnessed decline.

The deceleration seen in growth of M2 during FY14 reversed in FY15. In fact, M2 grew by 13.2 percent during FY15 compared with the growth of 12.5 percent in FY14. Nonetheless, the current year's growth is still lower than past 5 year's average growth of 14.2 percent. This reversal also carries a visible shift in growth composition. The main contribution in M2 growth during FY15 came from Net Domestic Assets (NDA) whereas Net Foreign Assets (NFA) contributed lower than FY14. Compared to FY14, the uptake of private sector credit has indeed slowed down in FY15. This increased by Rs194.5 billion during FY15 which is almost half of the amount availed during FY14. However, if compared with the past three year's average credit uptake of Rs.113 billion (excluding exceptional FY14), it would be difficult to term this year's credit uptake as very low. One major highlight of FY15 has been the uptick in credit for long term investment purposes; Rs.126.9 billion as opposed to Rs.71.4 billion in FY14. This bodes well for future productive capacity and employment generation.

The revised FY15 budget estimates show the fiscal deficit at 5.0 percent of GDP, slightly higher than the target of 4.9 percent for the year. The reduction in fiscal deficit in FY15 is primarily due to improvement in tax revenues as expenditures witnessed an uptick despite reduction in subsidies and lower interest payments. The tax revenues are estimated to grow by 20.8 percent in FY15 compared to 16.7 percent increase in FY14. This improvement largely reflects estimated recovery of Rs.145 billion under Gas Infrastructures Development Cess (GIDC)[6]. Total expenditures are estimated to grow by 11.6 percent in FY15. This translates into 20.4 percent of GDP, which is about 1 percent of GDP higher than the budget estimate. This is despite an estimated decline in development expenditures by 9.2 percent, falling to 4.1 percent of GDP in FY15 from 4.9 percent of GDP in FY14. Like previous few years, the development expenditures largely reflect the shortfall in revenue from its target and increase in current expenditures.

During Jul-May FY15, government domestic debt increased by Rs. 1198 billion. The bulk of the increase is due to Pakistan Investment Bonds (PIBs) (Rs. 883 billion), which has improved the maturity profile of government debt. Net foreign direct investment (FDI) declined from $1699 million in FY14 to $709 million in FY15 that stands around 0.3 percent of GDP. Although trend in FDI flows to Pakistan is not much

[6] Cess means the gas infrastructure development cess levied and chargeable from gas consumers, other than the domestic sector consumer, of the company over and above the sale price and payable under section 3 of the GIDC Act 2015.

different from those in regional countries, Pakistan has fallen in the lowest percentile in recent years. This trend in FDI is not encouraging from the perspective of medium to long-term sustainability of the external accounts.

Balance of payments position continued to improve in the second half of FY15 as well. It is particularly reflected in sustained increase in net SBP foreign exchange reserves; rising from $10.5 billion at end-December 2014 to $13.5 billion as of 30th June 2015. Reduction in external current account deficit due to decline in import bill and steady growth in workers' remittances are key factors explaining the improved balance of payments position during FY15. Decline in imports due to sharp decline in oil prices led the external current account to record a surplus of $137 million during H2-FY15. As a result, the overall external current account deficit during FY15 has been contained to $2.3 billion, about 27 percent lower than in FY14. Robust growth in workers' remittances and higher CSF inflows are other key factors that explained the lowering of external accounts in FY15 so far. Further, successful completion of reviews under IMF program and disbursement of program related funding continue to support reserves building besides instilling stability in foreign exchange market. These positive developments have led the international rating agencies to upgrade the country's sovereign credit ratings in recent months.

Going forward, the real GDP growth is expected to remain close to its long-term historical average growth. Impetus on implementation of infrastructure projects planned under China-Pakistan economic corridor could help revive investment and push real GDP growth above 5 percent in short term. Addressing structural bottlenecks, especially overcoming energy related issues, and improving security conditions to create favorable investment climate could help sustain or even surpass this growth over the long term. The external current account deficit in FY16 is projected to remain in the range of 0.5 to 1.5 percent of GDP. This projection also assumes workers' remittances to maintain its current pace and surpass the overall trade deficit in FY16. However, there is a possibility of upward revision in energy tariffs in FY16 and an adverse impact of floods on production of perishable food items going forward that could have an upward pressure on inflation.

HIGHLIGHTS ON MAJOR POLICY ANNOUNCEMENTS

Latest Monetary Policy Statement

With improved macroeconomic indicators and market sentiments in H2-FY15, SBP apart from slashing the policy rate by a cumulative 250 bps also revised the interest rate corridor framework to strengthen the monetary policy transmission mechanism. In particular, the idea was to align the SBP's operational target with the proposed policy rate set within the Interest Rate Corridor (IRC). SBP formally announced revision in IRC framework in its May 2015 monetary policy decision and introduced SBP Target Rate (the new Policy Rate) at 6.5 percent; that is, 50 bps below the ceiling of corridor and reduced the corridor width from 250 to 200 bps.

The implementation of the required changes called for an increase in both the volume and frequency of Open Market Operations (OMO). Moreover, the spread between the OMO cut-off rate and the ceiling of corridor was kept at 50bps; whereas, the money market overnight repo rate moved closer to the policy rate. This also led to a consistent fall in weighted average lending and deposit rates (WALR and WADR). While the decline in lending rates is expected to revive private investment going forward, lower deposit rates may discourage deposit growth. To address this issue, SBP responded with a reduction in corridor width by increasing the SBP repo (Floor) rate so as to protect the interest of depositors.

Other Policy Changes

- SBP issued guiding principles on fairness of service charges levied by banks. The instructions set forth 9 overarching principles, which will apply on service charges effective from 1st July, 2015. It is imperative that fairness and transparency in determining charges for various products and services provided by the banks will enhance confidence of customers in the banking industry. State Bank, in guiding principles, clarifies that the banks must act fairly while recovering the charges from customers whereas all such charges should be disclosed in a manner which is simple and easy to understand. SBP further emphasizes that these service charges should be reasonable, commensurate with the service and customers should not be charged for the services not rendered or rendered without consent. Central Bank also encourages commencing awareness campaigns by Banks to increase customers' understanding of service charges. All banks are instructed to follow these principles in letter and spirit while fixing their schedule of charges for consumer related products and services.

- SBP issued revised Microfinance Credit Guarantee Facility (MCGF) Guidelines of offering higher risk coverage of up to 60% to Commercial Banks/DFIs for lending to smaller Microfinance Banks (MFBs)/ Microfinance institutions (MFIs). The facility is expected to graduate smaller MFBs/ MFIs to avail credit lines from commercial banks/ DFIs for onward lending to microfinance clients. It may be recalled that the Microfinance Credit Guarantee Facility is a credit enhancement facility to attract market-based and long-term finance for microfinance institutions. MCGF was launched by the State Bank in December 2008 with £15 million funding support from the UK Department for International Development (DFID) under the Financial Inclusion Program (FIP) which is being implemented by SBP. The facility is focused on market development and has been instrumental in resolving the funding constraints of the microfinance sector in Pakistan. So far, 6 large MFBs/MFIs have completed 38 transaction with commercial banks and capital markets/retail investors mobilizing Rs.12.825 billion for onward lending to around 650,000 micro borrowers. This has significantly helped in reducing the risk perception of banks towards the microfinance sector, thus introducing poor borrowers to mainstream financial institutions.

- Keeping in view current energy crises in the country and to promote alternative energy solutions at affordable finance, SBP has amended its housing finance PRs to allow banks for extension of loans to individuals for solar energy solutions for residential use as part of home loans. Previously, financial institutions were extending finances for solar system under the head of personal loan for maximum tenure of 5 years. However, after this amendment in Housing Finance PRs, banks/DFIs can finance to individuals for solar energy systems maximum upto ten years which will make financing affordable for the borrower.

- In order to further strengthen the transmission of monetary policy and have the desired effect on term structure of Interest Rate, SBP reviewed its interest rate corridor framework and introduced 'SBP Target Rate' for the money market overnight repo rate. 'This rate will be in addition to SBP Reverse Repo Rate (ceiling rate) and the SBP Repo Rate (floor rate) of the corridor. Moreover, this rate will be specified within the corridor – lower than ceiling rate and higher than floor rate. More details is available at the following link: http://www.sbp.org.pk/dmmd/interestRateCorridor.pdf

- SBP has revised its instructions on Fit and Proper Test Criteria for board and senior management in banks/DFIs. A comprehensive FPT Criteria is already in place for Board members, Chief Executive Officers (CEOs) and Key Executives of Banks/DFIs. In order to make the FPT Criteria more objective and to ensure succession planning and diversity of the knowledge/experience base of the management, SBP has revised the relevant clauses of the criteria.

- SBP has issued Guidelines on Low Risk Accounts namely Asaan Account with simplified due diligence. These accounts shall be opened with minimum of Rs. 100 as initial deposit with no minimum balance requirement. It may be mentioned here that one of the major policy objectives of SBP has remained to enhance outreach of financial services across Pakistan by expanding branch network, setting up special purpose institutions, Islamic banking institutions, microfinance banks, branchless banking service etc. Extending the outreach of financial services in a cost effective manner has been possible through the innovative channels, models and the enabling policy framework. To achieve the targets set out in National Financial Inclusion Strategy, banks are required by SBP to develop quarterly & yearly plans to open Asaan Accounts. The SBP would regularly monitor the progress of Asaan Accounts.

KEY ECONOMIC INDICATORS OF PAKISTAN

	Unit	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15[P]
I. Real Sector											
Per Capita GDP	US$	897	980	1053	1026	1072	1274	1321	1340	1384	1512
Real GDP Growth	%	5.8	6.8	3.7	1.7	3.1	3.0	4.4	3.7[R]	4.0	4.2
Nominal GDP (MP)	Billion US$	127.3	143.0	163.5	161.8	176.5	214	225	231	244	270
Agriculture	% of GDP	22.5	21.9	21.3	21.8	21.3	21.2	21.1	21.2	21.0	20.9
Industry	% of GDP	25.9	26.3	25.8	25.3	26.0	25.5	25.4	20.9	20.8	20.3
Services	% of GDP	51.7	51.8	52.9	52.9	52.6	53.4	53.5	57.7	58.1	58.8
Investment	% of GDP	23.6	22.5	22.1	18.2	15.6	13.1	14.9	14.6[R]	15[R]	15.1
National Savings	% of GDP	18.2	17.4	13.6	12.5	13.1	13.2	12.8	13.5	13.7[R]	14.5
Headline Inflation (yoy)	%	7.92	7.77	12.00	17.0	10.10	13.66	11.0	7.4	8.6	4.5
- Food Inflation (yoy)	%	6.90	10.30	17.60	23.70	12.9	18.00	11.0	7.1	9.0	3.5
- Non-Food Inflation (yoy)	%	8.60	6.00	7.90	18.40	8.2	10.70	11.0	7.5	8.3	5.3
- Core inflation (yoy)	%	7.50	5.90	8.40	17.60	7.6	9.40	10.6	9.6	8.5	4.9
II. Fiscal Sector											
Revenue Collection	Billion US$	18.0	21.4	23.9	23.5	24.8	26.3	27.8	30.78	35.35	41.56
Fiscal Deficit	% of GDP	4.27	4.35	7.59	5.35	6.28	6.62	8.8[$]	8.2	5.5[R]	5.0
Public Debt	% of GDP	57.7	57.2	60.7	61.5	61.4	60.1	64.5	65.4	65.5	65.1
- of which foreign currency	% of GDP	28.7	27.5	29.7	32.3	33.0	31.2	30.9	27.0	25.8	24.2
- domestic debt	% of GDP	30.6	30.1	31.9	29.2	31.3	32.9	38.1	42.8[R]	43.8	44.8
Public Debt Servicing	% of total revenue	36.6	36.7	37.2	46.6	47.1	45.0	49.3	51.6	49.3[R]	43.4
III. External Sector											
Exports (f.o.b)	Billion US$	16.5	17.0	19.1	17.7	19.3	24.8	24.7	24.8	25.1	24.1
Imports (c.i.f)	Billion US$	28.6	30.5	40.0	34.8	34.7	40.4	40.5	40.2	41.7	41.3
Trade Balance	Billion US$	-12.1	-13.6	-20.9	-17.1	-15.4	-15.6	-15.7	-15.4	-16.7	-17.1
Remittances	Billion US$	4.6	5.5	6.5	7.8	8.9	11.2	13.2	13.9	15.8	18.5
Current Account Balance	Billion US$	-5.0	-6.9	-13.9	-9.3	-3.9	0.2	-4.7	-2.5	-3.1	-2.3
Current Account Balance	% of GDP	-3.9	-4.8	-8.5	-5.7	-2.2	0.1	-2.1	-1.1	-1.2	-0.8
Total Foreign Investment	Million US$	6047	8688.6	5574.8	2646.8	2086	1979.2	707.8	1580.6	4436.6	2713.1
- FDI	Million US$	3521	5140	5410	3720	2151	1634.7	820.6	1258	1572	642
- Portfolio Investment	Million US$	986	3283	32	-1073	-65	344.5	-112	26	2760	1902
External Debt and Forex Liabilities	Billion US$	37.2	40.3	46.2	52.3	61.6	66.4	65.5	60.9	65.4	65.1
EDL/FEE	Percent	123.0	127.9	131.3	152.7	166.5	143.8	140.8	120.0	160.0@	-
Short-term external debt	% of GDP	0.13	0.05	0.49	0.43	0.56	0.34	0.23	0.0	0.21	-
External Debt Servicing Ratio	***	9.3	8.8	8.7	13.5	12.3	8.4	9.5	-	-	-
Exchange Rate (average)	Per US$	59.88	60.64	62.63	78.62	83.89	85.56	89.27	96.85	102.88	101.46
Foreign Exchange Reserves	Billion US$	13.2	16.6	11.6	12.8	16.7	18.2	15.3	11.01	14.1	18.7
IV. Monetary & Capital Market											
Growth Rate of M_1	y-o-y	13.13	16.0	4.6	9.8	14.1	17.5	13.9	20.7	15.2R	16.2
Growth Rate of M_2	y-o-y	15.1	18.9	11.9	9.5	13.0	16.7	13.4	16.6	12.8R	12.71
Growth Rate of M_3	y-o-y		16.3	10.9	12.5	13.7	16.3	12.7	17.1	12.1R	12.7
Weighted Avg Lending Rate	%	9.93	10.32	12.75	14.32	13.22	14.25	13.13	10.56	10.37	8.24
Credit growth to Private Sector	%	23.5	17.3	16.5	0.7	3.9	4.0	7.5	-0.56	6.2	10.0
Stock Market (Price Index)	1991=1000	9989.4	17772.5	12289	7162.2	9721.9	12496.6	13801	21005.7	29,653	34,399
Market Capitalization (as leading stock mkt)	PKR Billion	2766.4	4019.4	3777.7	2120.7	2732.4	3288.7	3518.1	5154.7	6171	7211
Market Capitalization (as leading stock mkt)	% of GDP	36.3	46.3	36.9	16.7	18.5	18.2	17.0	22.5	24.6	26.3
Market Capitalization (as leading stock mkt)	Billion US$	45.9	66.5	55.3	26.1	32.0	38.2	37.2	53.2	60.0	71.1
V. Banking Sector Indicators											
Capital adequacy ratio (CAR)	%	12.7	12.3	12.2	14.0	13.9	14.1	15.1	15.5	15.1	17.2
Non-performing loans	%	6.9	7.6	10.5	12.6	14.9	15.3	15.9	14.8	12.8	12.4
Before Tax Profitability(R.O.E.)	%	35.2	22.6	11.4	13.2	15.5	21.8	25.9	18.5	23.5	27.5
Before Tax Profitability (R.O.A.)	%	3.1	2.2	1.2	1.3	1.5	2.1	2.4	1.7	2.1	2.7

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

Definitions:

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

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

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

SRI LANKA

RECENT OVERALL MACROECONOMIC DEVELOPMENTS

The economy expanded by 5.6 per cent in the first half of 2015, largely supported by the continuation of the conducive monetary policy stance in a low and stable inflationary environment and the favourable weather conditions prevailed during the period. The strong growth observed in the Services related activities and the recovery in Agriculture and Industry activities contributed to this growth. The Services activities grew by 7.1 per cent in the first half of 2015, with major contributions from other personal services, real estate including ownership of dwellings, financial services, and wholesale and retail trade. The Agriculture activities grew by 3.3 per cent, buoyed by the growing of rice, and marine fishing and aquaculture. However, the Industry activities grew moderately by 1.3 per cent, largely driven by the recovery in manufacturing activities.

Inflation has remained at single digit levels for the sixth consecutive year, reflecting the impact of prudent demand management, improved supply conditions and effectively contained inflation expectations. Year-on-year inflation decelerated to -0.3 per cent by September 2015. Annual average inflation continued its decelerating trend and reached 0.7 per cent in September 2015. Meanwhile year-on-year core inflation was 4.2 per cent while annual average core inflation was 2.8 per cent in June 2015.

Sri Lanka's external sector performance moderated during the first eight months of 2015 amidst strong domestic demand and less than expected foreign exchange earnings. On a cumulative basis, the trade deficit during the first eight months of 2015 increased by 5.0 per cent to US dollars 5,412 million, with the expansion in imports, particularly on the backdrop of higher vehicle imports and decline in exports. Earnings from exports during the first eight months of 2015 declined by 3.4 per cent, year-on-year while expenditure on imports increased only by US dollars 4 million. Meanwhile, the services account of the BOP recorded a surplus of US dollars 1,003 million during the first half of 2015 compared to a surplus of US dollars 898 million during the corresponding period of 2014. Surplus in the travel account was the main contributor for the increased surplus in the services sector. Inflows to the services and the secondary income accounts contributed favourably to the developments in the current account, though the latter recorded a significantly lower growth during the first half of 2015. As a consequent, the current account deficit widened to US dollars 905 million in the first half of 2015 from US dollars 435 million recorded during the corresponding period of 2014. The widening of the current account deficit and the comparatively lower level of inflows to the financial account resulted in a deterioration of the BOP, and the BOP recorded an overall deficit of US dollars 792 million during the first half of 2015. Meanwhile, gross official reserves are estimated to have recorded at US dollars 6.5 billion as at end August 2015 compared to US dollars 6.8 million recorded by the end of July 2015. During the year up to September, the Sri Lankan rupee remained at relatively stable levels until the recent move to allow for more flexibility in the determination of the exchange rate. Accordingly, the Sri Lankan rupee, which depreciated only by 2.42 per cent against the US dollar by the end August 2015, recorded an overall depreciation of 7.09 per cent during the year upto 26 October 2015. Meanwhile, reflecting the cross currency exchange rate movements, the Sri Lankan rupee depreciated against the pound sterling, the Japanese yen and the Indian rupee while appreciating against the euro during the year up to 26 October 2015.

Fiscal policy targeted to reduce the budget deficit further, while encouraging investment to support a higher economic growth with macroeconomic stability. Accordingly, budget deficit was targeted to reduce to 4.4 per cent of GDP in 2015 from 5.7 per cent of GDP in 2014. During the first half of 2015, government revenue and grants as a percentage of GDP increased to 5.4 per cent from 5.3 per cent in the corresponding period in 2014. Total expenditure and net lending, during the first half of 2015, declined to 8.9 per cent of estimated GDP from 9.0 per cent during the same period in 2014. Accordingly, during the first half of 2015, the recurrent expenditure increased significantly to 6.8 per cent of estimated GDP from 6.3 per cent of GDP recorded while capital expenditure and net lending as a percentage of GDP declined to 2.1 per cent from 2.7 per cent in the corresponding period in 2014. The overall budget deficit during the first half of 2015, declined to 3.6 per cent of estimated GDP compared to 3.7 per cent of GDP recorded during the same period of 2014. The budget deficit was entirely financed from domestic sources.

HIGHLIGHTS ON MAJOR POLICY ANNOUNCEMENTS

The easing of monetary policy continued and in order to ensure the stability of short term interest rates and to further reduce interest rate spreads in financial markets, the Standing Deposit Facility Rate (SDFR) and Standing Lending Facility Rate (SLFR) were reduced by 50 basis points to 6.00 and 7.50 per cent in April 2015. In response to these measures, overnight market interest rates declined notably towards the lower bound of the SRC, while other market interest rates also declined to historic lows during 2015. With the support of low interest rates and the dissipating impact of the contraction in pawning advances, the private sector credit rebounded during the latter part of 2014. Accordingly, credit to the private sector, on a year-on-year basis, grew by 21.3 per cent recording an overall increase of Rs. 310.5 billion by August 2015. Directions on Liquidity Coverage Ratio (LCR) under Basel III Liquidity Standards for licensed banks were issued requiring them to maintain a minimum LCR of 60 per cent commencing on 1 April 2015. The minimum LCR will increase up to 100 per cent by 2019 on a staggered basis. Licensed banks were apprised of the budget proposals outlined in the Interim Budget – 2015 on enhancing access to banking. Meanwhile, with a view to receiving export proceeds in a timely manner, the circular issued on 16th October 2014 to licensed commercial banks, withdrawing previous circulars issued on recovery of accommodation to exporters was rescinded. Accordingly, circular dated 22 January 2001, 29 January 2001, 16 February 2001, and 30 March 2001 came into effect from 01 June 2015 onwards, with an amendment to reduce the applicable enhanced interest rate from 1,000 basis points to 500 basis points.

KEY ECONOMIC INDICATORS OF SRI LANKA

	Unit	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015 HI
I. Real Sector												
Per Capita GDP [a]	US$	1,242	1,423	1,614 [e]	2,014 [e]	2,054	2,744 [e]	3,129 [e]	3,351	3,610	3,795	-
Real GDP Growth [b]\	%	6.2	7.7	6.8	6.0	3.5	8.0	8.4	9.1	3.4	4.5	5.6
GDP (MP) (a)	Billion US$	24.4	28.3	32.4	40.7	42.1	56.7	65.3	68.4	74.3	78.8	-
Agriculture (a) (c)	% of GDP	11.8	11.3	11.7	13.4	12.7	8.5	8.8	7.4	7.7	7.7	8.0
Industry (a) (c)	% of GDP	30.2	30.6	29.9	29.4	29.7	26.6	28.0	30.1	29.2	28.0	27.1
Services (a) (c)	% of GDP	58.0	58.0	58.4	57.2	57.6	54.6	55.1	55.6	56.4	57.4	57.5
Investment (d)	% of GDP	26.8	28.0	28.0	27.6	24.4	n.a.	n.a.	n.a.	n.a.	n.a.	-
National Savings (d)	% of GDP	23.8	22.3	23.3	17.8	23.7	n.a.	n.a.	n.a.	n.a.	n.a.	-
Headline Inflation (f)	%	11.0	10.0	15.8	22.6	3.4	6.2	6.7	7.6	6.9	3.3	1.7
- Food Inflation	%	11.4	8.9	20.3	30.5	3.1	6.9	8.8	4.7	7.9	3.8	6.0
- Non-Food Inflation	%	10.6	10.9	12.1	15.6	3.7	5.6	5.0	10.0	6.1	2.8	-1.9
- Core inflation	%	10.3	8.5	7.7	13.6	9.2	7.0	6.9	5.8	4.4	3.5	2.8
II. Fiscal Sector												
Revenue Collection	Billion US$	3.8	4.6	5.1	6	6.1	7.2	8.8	8.2	8.8	9.2	4.6
Fiscal Deficit (excluding grants) (a)	% of GDP	-8.4	-8.0	-7.7	-7.7	-10.4	-7.2	-6.4	-5.8	-5.5	-5.8	-3.6
Fiscal Deficit (including grants) (a)	% of GDP	-7	-7	-6.9	-7	-9.9	-7.0	-6.2	-5.6	-5.4	-5.7	-3.6
Public Debt (a)	% of GDP	90.6	87.9	85	81.4	86.2	71.6	71.1	68.7	70.8	71.8	-
- of which foreign debt (a)	% of GDP	39	37.5	37.1	32.8	36.5	31.6	32.3	31.7	30.9	30.2	-
- domestic debt (a)	% of GDP	51.6	50.3	47.9	48.5	49.7	40.0	38.8	37.0	40.0	41.6	-
- debt servicing	% of total revenue	90.8	93	88.6	90.5	118	100.4	92.5	96.8	102.2	90.0	100.6
III. External Sector												
Exports (f.o.b)	Billion US$	6.3	6.9	7.6	8.1	7.1	8.6	10.6	9.8	10.4	11.1	5.4
Imports (f.o.b.)	Billion US$	8.9	10.3	11.3	14.1	10.2	13.5	20.3	19.2	18.0	19.4	9.5
Trade Deficit	Billion US$	-2.5	-3.4	-3.7	-6.0	-3.1	-4.8	-9.7	-9.4	-7.6	-8.3	-4.1
Remittances	Billion US$	2.0	2.2	2.5	2.9	3.3	4.1	5.1	6.0	6.4	7.0	3.4
Earnings from Tourism	Billion US$	0.4	0.4	0.4	0.3	0.3	0.6	0.8	1.0	1.7	2.4	1.3
Current Account Balance	Billion US$	-0.7	-1.5	-1.4	-3.9	-0.2	-1.1	-4.6	-4.0	-2.5	-2.0	-0.9
Current Account Balance (a)	% of GDP	-2.7	-5.3	-4.3	-9.5	-0.5	-1.9	-7.1	-5.8	-3.4	-2.6	-
Major Inflows to the Financial Account												
- Foreign Loans (net)	Billion US$	0.9	0.6	1.2	0.4	0.6	2.7	2.9	3.1	1.1	1.8	0.5
- Foreign Direct Investment (net)	Billion US$	0.2	0.5	0.5	0.7	0.4	0.4	0.9	0.9	0.9	0.9	0.3
Portfolio Investment : Equity (net)	Billion US$	0.1	0.1	0.1	0.1	0.0	-0.2	-0.2	0.3	0.2	0.2	0.2
Portfolio Investment : Securities (net)	Billion US$	0.0	0.0	0.4	-0.2	1.9	1.5	1.2	1.3	1.8	1.8	0.1
Trade Credits (net)	Billion US$	0.0	0.0	0.0	0.6	0.2	-1.0	-0.2	-0.7	-0.5	-0.5	-0.4
External Debt and Forex Liabilities outstanding	Billion US$	13.0	14.0	16.5	17.8	20.9	24.8	32.7	37.1	39.9	43.0	43.5
External Debt and Forex Liabilities to GDP[a]	%	53.3	49.4	51.0	43.7	49.7	37.8	50.2	54.2	53.7	54.5	-
Short-term debt to GDP[a]	%	9.5	9.3	11.1	10.1	12.7	10.6	11.1	9.4	9.1	9.2	-
External Debt Servicing Ratio	% of forex earnings	6.3	9.8	10.0	13.9	16.1	11.9	9.3	13.5	16.4	14.1	15.5
Exchange Rate (Annual Average)	Per US$	100.5	104.0	110.6	108.3	114.9	113.1	110.6	127.6	129.1	130.6	132.9
Total Foreign Assets	Billion US$	4.2	4.0	5.0	3.6	7.0	8.6	8.0	8.6	8.6	9.9	9.2
IV. Monetary & Capital Market												
Growth Rate of M1	y-o-y	22.4	12.6	2.7	4.0	21.4	20.9	7.7	2.6	7.7	26.3	21.2
Growth Rate of M2	y-o-y	19.6	20.7	15.6	11.7	19.9	18.0	20.9	18.3	18.0	13.1	14.4
Growth Rate of M2b	y-o-y	19.1	17.8	16.6	8.5	18.6	15.8	19.1	17.6	16.7	13.4	15.3
Weighted Avg Lending Rate	%	15.40	16.56	18.08	20.13	17.41	14.80	13.44	15.98	15.18	11.91	11.25
Credit growth to Private Sector (As per M2b)	%	26.3	24.0	19.3	7.0	-5.8	24.9	34.5	17.6	7.5	8.8	19.4
All Share Price Index (ASPI)	(1985=100)	1,922.2	2,722.4	2,541.0	1,503.0	3,385.6	6,635.9	6,074.4	5,643.0	5,912.8	7299.0	7,020.8
Milanka Price Index (MPI)	(1998 Dec=1000)	2,451.1	3,711.8	3,291.9	1,631.3	3,849.4	7,061.5	5,229.2	5,119.1	-	-	-
S&P SL 20 Index	(2004 Dec=1000)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	3,085.3	3,263.9	4089.1	3,908.0
Market Capitalisation (as leading stock mkt)	Domestic Currency in Billion	584.0	834.8	820.7	488.8	1,092.1	2,210.5	2,213.9	2,167.6	2,459.9	3104.9	2,983.0
Market Capitalisation (as leading stock mkt)	% of GDP	23.8	28.4	22.9	11.1	22.6	34.5	30.7	24.8	25.6	30.2	54.6
Market Capitalisation (as leading stock mkt)	Billion US$	5.7	7.8	7.5	4.3	9.5	19.9	19.4	17.1	18.8	23.7	22.3
V. Banking Sector Indicators												
Capital adequacy ratio	%	13.3	12.1	12.6	12.5	14.1	14.3	16.0	16.3	17.6	16.6	16.0
Non performing loans ratio (Net IIS)	%							3.8	3.7	5.6	4.2	4.3
Profitability (R.O.E.) (After Tax)	%	16.4	15.2	14.0	13.4	11.8	22.4	19.8	20.3	16.0	16.6	16.0
Profitability (R.O.A.) (Before Tax)	%							2.4	2.4	1.9	2.0	1.9

(a) From 2010 to 2015H1, data based on rebased estimates [(2010) prices] published by the Department of Census and Statistics

(b) From 2011 to 2015H1, data based on rebased estimates [(2010) prices] published by the Department of Census and Statistics

(c) Value added at basic price from 2010 to 2015H1

(d) Expenditure approach estimates under new method is not yet available for 2010 to 2015H1

(e) Updated with latest population figures

(f) Data for 2002 and 2003 are based on CCPI(1952=100), from 2004-2008 are based on CCPI(2002=100) and from 2009 onwards are based on CCPI(2006/07=100)

n.a. - Not available

HIGHLIGHTS ON SAARCFINANCE, SPC AND IGEG RELATED ACTIVITIES

SAARCFINANCE Staff Exchange and Training Programmes

i) Two members of the Board of Directors of Nepal Rastra Bank along with Secretary of the Board visited Reserve Bank of India during January 27-30, 2015 with a view to understand the RBI's system of functioning in a federal set up. The delegates interacted with several central office departments of the RBI regarding the organizational structure, and also visited the Mumbai and New Delhi regional offices of RBI.

ii) Six delegates of NRB visited RBI to familiarise themselves with the Internal Auditing Practices of RBI during 19 to 22 January, 2015.

iii) A senior official from Da Afghanistan Bank visited Reserve Bank of India on February 27, 2015 to explore areas for mutual cooperation including capacity building.

iv) Two participants each from Afghanistan and Bangladesh, one participant from Nepal and three participants from Sri Lanka visited Reserve Bank of India on March 10, 2015 as part of International Programme on Banking and Finance, conducted by the National Institute of Bank Management, Pune during March 2-14, 2015

v) A training programme for seven officials from Debt Management and Accounts and Budgeting Departments of Bangladesh Bank was organised by RBI during April 20-24, 2015. The Bangladesh delegation was led by Executive Director in charge of Debt Management.

vi) Two participants from Nepal participated in the 8th Seminar on Currency Management organised by the Reserve Bank Staff College, Chennai, during April 27-29, 2015.

vii) One member of the Nepal Rastra Bank's (NRB) Board of Directors along with NRB's Director of Corporate Planning Department visited Central Bank of Sri Lanka (CBSL) during May 5-8, 2015. The delegates interacted with several departments of CBSL regarding their organizational structure and operations, and also visited some of their regional offices.

viii) Four participants from Bangladesh, one from Sri Lanka and five participants from Pakistan visited Reserve Bank of India on May 29, 2015 to learn about functions and policy of RBI, as part of a training programme conducted by the BSE Institute Ltd.

ix) Twenty six staff members of Royal Monetary Authority of Bhutan participated in the Training Programme on RBI's basic functions, organised by Zonal Training Centre, Kolkata, during June 23-26, 2015.

x) State Bank of Pakistan (SBP) hosted a seminar on 'Consumer Protection in Banks: The SAARC Perspective' during January 19-21, 2015 at NIBAF, Islamabad. Besides Pakistan, the seminar was attended by all member countries of SAARC, except India and Maldives. Governor SBP and Chairperson of SAARCFINANCE, Mr. Ashraf Mahmood Wathra, was the chief guest for the event. In this inaugural address, Mr. Wathra emphasized that enhancing consumer protection in banks eventually promotes competition in the industry and it has positive linkages with financial stability and financial inclusion. Further, the banks have to take a leading role in promoting and ensuring consumer protection in banking sector. He urged the need for robust, fair, unbiased and efficient complaints resolution mechanism within the banks. The Seminar also provided the participants an opportunity to share with

each other the related policies and practices prevalent at their respective jurisdictions, initiate healthy dialogue and explore new areas of cooperation.

xi) State Bank of Pakistan (SBP) organized 20th Zahid Husain Memorial Lecture at Islamabad on January 19, 2015 at Islamabad. Dilip Mookherjee, Professor of Economics, Boston University, U.S.A. delivered the memorial lecture. The lecture, attended by high officials of the government of Pakistan, federal ministers, faculty members of various universities, and SAARC central bankers. In his lecture, Prof. Mookherjee shed light on a new approach towards financing of smallholder agriculture in Developing Countries. In this context, he particularly emphasized the role of 'Trader Agent Intermediated Lending (TRAIL)' approach for financing the agriculture sector. He told that the objective of this new approach is to have a flexible financing mechanism. The main features of TRAIL include (i) individual and direct loaning for a duration that matches the crop cycle; (ii) below market interest rate and (iii) collateral-free lending that enables even the landless households to borrow, he explained. In light of his experience, Prof. Mookherjee suggested that "TRAIL is thus an innovative financial product with potentially large development impacts, at lower costs for the lender". He recommended this approach as a viable (business) model of financial inclusion that can help policy makers and practitioner to expand food production and manage poverty in developing countries. In this context, he highlighted the pilot TRAIL run by the State Bank of Pakistan and called for collaboration.

xii) Reserve Bank of India hosted the SAARCFINANCE Seminar on "Internal Audit and Enterprise Risk Management in Central Banks of SAARC Countries" during February 12-14, 2015 in Hotel Mayfair, Bhubaneswar, Orissa, India. Officials involved in enterprise risk management in the SAARCFINANCE member central banks of Bangladesh, Bhutan, Nepal, and Sri Lanka attended the Seminar and exchanged views regarding the practices in their respective central banks. There were also discussions on issues such as cyber security, need for capital adequacy frameworks for central banks, central bank profitability and Social Mobility Analytic.

SAARCFINANCE Collaborative Research Studies

i) As per the decision of 29th SAARCFINANCE Group Meeting, Reserve Bank of India (RBI) and State Bank of Pakistan (SBP) have to jointly lead the study on "Managing Capital and Remittance Flows in SAARC Region for Safeguarding Financial Stability", while researchers from other member central banks taking part as team members. Likewise, Bangladesh Bank (BB) and Maldives Monetary Authority (MMA) would jointly lead the study on "Promoting Financial Inclusion in the SAARC Region" and the researchers from other central banks would take part as team members.

ii) The 30th SAARCFINANCE Group Meeting held at Dhaka, Bangladesh, on June 12, 2015 approved modalities for collaborative research studies. A significant progress has already been made on the first joint study on "Managing Capital and Remittance Flows in SAARC Region for Safeguarding Financial Stability". In this context, State Bank of Pakistan hosted the 1st Meeting of Researchers from SAARC central banks under SAARCFINANCE Collaborative research arrangements alongside 22nd SAARCFINANCE Coordinators' Meeting.

SAARCFINANCE Regional Database

i) During the 29th SAARCFINANCE Group Meeting held in Washington D.C, U.S.A, on 9th October 2014, Reserve Bank of India agreed to develop a regional database and hosting of seminar on "Development of a Regional Statistical Database".

ii) Reserve Bank of India received feedback on SAARCFINANCE regional statistical database from all member central banks. RBI has identified a core dataset based on the availability of data with most of the central banks, and has prepared templates for tables. The templates have been circulated among member central banks with a request for provision of data. Once the data are received, the Reserve Bank will proceed with the creation of database in an RDBMS platform (Oracle platform), with easy search and downloadability. The database will be made available to general public free of cost, and links for the same will be placed in the SAARCFINANCE website being maintained by the RBI.

iii) RBI will host the regional database at SAARCFINANCE website and will provide its linkages to the websites of all member central banks. RBI will also organize seminar on the creation of SAARCFINANCE database every year around November/December till the full functionality of database.

30th SAARCFINANCE Group Meeting

i) The 30th SAARCFINANCE Group Meeting was organized by Bangladesh Bank in Dhaka on 12 June 2015. The current Chairperson of SAARCFINANCE network and the Governor of State Bank of Pakistan Mr. Ashraf Mahmood Wathra chaired the Group Meeting. Being the host, Dr. Atiur Rahman, Governor, BB welcomed all the Governors, distinguished delegates of the SAARC countries' central banks and finance ministries and representative of SAARC Secretariat in the meeting.

ii) The major issues discussed in the meeting included SAARCFINANCE database-way forward; modalities for collaborative research studies by SAARCFINANCE member countries; proposal for identifying areas of regional cooperation and integration, which would eventually act as the roadmap for SAARCFINANCE; SAARCFINANCE database and way forward; inviting the Chairperson of SAARC Payment Council in the regional SAARCFINANCE group meetings to present the progress report of SPC activities; and new proposals from the member countries to hold seminars or other activities under the aegis of SAARCFINANCE.

SAARCFINANCE Governors' Symposium 2015

i) SAARCFINANCE Governors' Symposium was organized by Bangladesh Bank in Dhaka on June 12, 2015. All member countries participated in the Symposium, except Maldives. This year, theme of the Symposium was "Financial Inclusion". Mr. Shitangshu K. Sur Chowdhury, Deputy Governor delivered a welcome address in the opening ceremony of the symposium while Ms. Lakshmanan Savithri, Director, SAARC Secretariat gave her remarks as a representative of the SAARC Secretariat. Dr. Atiur Rahman, Honorable Governor of Bangladesh Bank inaugurated and delivered a keynote speech in the Symposium. Mr. Dasho Daw Tenzin, Honorable Governor of the Royal Monetary Authority of Bhutan was present as the Chairperson of the opening ceremony.

ii) There were two sessions of the Symposium where Dr. Raghuram G. Rajan Honorable Governor of the Reserve Bank of India chaired the first session and Dr. Atiur Rahman Honorable Governor of

Bangladesh Bank chaired the second session of the Governors' Symposium. In the first session, Mr. Mir Aziz Baraki, Payments Director, Da Afganistan Bank, Mr. Shitangshu K. Sur Chowdhury, Deputy Governor of BB, Mr. Dasho Daw Tenzin, Honorable Governor of the Royal Monetary Authority of Bhutan and Mr. Gurumoorthy Mahalingam, Executive Director, Reserve Bank of India presented their respective country papers on financial inclusion. The Chairperson of the first session Dr. Rajan in his concluding remarks highlighted the problems of financial inclusion in the SAARC region. According to him major problems of enhancing financial inclusion in the region are religious prohibition of interest and lack of financial literacy. He expressed that corruption comes up from government subsidies programs. In his remarks, he appreciated Dr. Atiur Rahman's initiatives to expand Financial Inclusion and Green Banking initiatives in Bangladesh.

iii) The second session, Mr. Rajendra Pandit, Director, Nepal Rastra Bank, Dr. Saeed Ahmed, Director, State Bank of Pakistan and Mr. K.M. Mahinda Siriwardana, Director of Economic Research, Central Bank of Sri Lanka presented their respective country papers. The Chairperson of the second session, Dr. Atiur Rahman in his concluding remarks mentioned that new financial products will have to be introduced and at the same time technological facilities will have to be expanded for enhancing financial inclusion in the SAARC region. In the upcoming days, we will have to ensure our safe and sound technology-based payment system. He stressed on the quality of growth where a broad-based people can be included in the process which can also foster financial stability in an economy. Towards the end, he thanked all Governors, distinguished delegates, other participants and organizers of the symposium for making the symposium a successful one.

21st SAARCFINANCE Coordinators' Meeting

i) The 21st SAARCFINANCE Coordinators' Meeting was hosted by State Bank of Pakistan during March 19-21, 2015 at Islamabad. SAARCFINANCE Coordinators and Alternate SAARCFINANCE Coordinators from SAARC Central Banks (except Maldives) participated in the meeting. Focal persons from Ministries of Finance of Bangladesh also attended the meeting as observers.

ii) Governor State Bank of Pakistan and Chairman of SAARCFINANCE, Mr. Ashraf Mahmood Wathra inaugurated the meeting. Mr. Wathra appreciated the recent initiatives by regional central banks for the creation of regional database and conducting research studies under the collaborative arrangements. He noted that the harmonization of banking rules could be an important area for strengthening of economic and financial integration in the region. He highlighted that regional economies could not flourish in isolation and emphasized the importance of geographical proximities in determining the path towards regional economic prosperity. He urged the SAARCFINANCE Coordinators to expedite the formulation process of roadmap for the Network, as it could help set direction of its future activities.

iii) The Working Session of the meeting was chaired by Dr. Mushtaq A. Khan, Chief Economic Advisor of SBP. The major issues deliberated upon during the meeting included the following: a) the SAARCFINANCE database - the review of its progress and way forward; b) the modalities for collaborative research studies; c) inviting the chairperson of SAARC Payment Council (SPC) in the regional Group Meeting to present the SPC activity Report; d) the standardization of modalities for SAARCFINANCE Staff Exchange Programme; e) the new proposals from the member countries to hold seminars or other activities under the aegis of SAARCFINANCE and f) the agenda for the 30th SAARCFINANCE Group Meeting to be held in Dhaka, Bangladesh on 12th June 2015.

SAARCFINANCE Scholarship Scheme

i) Under the SAARCFINANCE Scholarship Scheme[7], which was announced on 18 June 2013 at 26th SAARCFINANCE Group Meeting held in Islamabad, the Reserve Bank of India has awarded two scholarships for the academic year 2014-15, 1 from Bangladesh (for PhD.) and 1 from Maldives (for M.Sc.). The candidate from Bangladesh Bank has successfully enrolled into the doctoral programme of Jawaharlal Nehru University. However, the candidate from Maldives withdrew her participation due to personal reasons.

ii) For the academic year 2015-16, RBI awarded four scholarships (two for PhD and two for M.A). Of these, the PhD scholarships were awarded to candidates from Afghanistan and Bangladesh, while the M.A. Scholarships were awarded to candidates from Afghanistan and Bhutan. Three of the selected scholars are presently in the process of securing admission in Indian universities. Of the two scholars selected for M.A. Scholarship, the candidate from Da Afghanistan Bank has requested for deferment of the scholarship on personal reasons.

Handing over of SAARCFINANCE Chair to Sri Lanka

i) The SAARCFINANCE Chair shifted from Nepal to Pakistan during 28th meeting of the Network, held on October 9, 2014 in Washington D.C., U.S.A.

ii) The SAARCFINANCE Chair rotates in an alphabetical order every year. During the 31st Group Meeting to be held in October at Lima, Peru, alongside the IMF/World Bank Annual Meetings 2015, the SAARCFINANCE Chair will shift to Central Bank of Sri Lanka.

Amendments in the ToR of SAARCFINANCE

The Thirty-sixth Session of SAARC Council of Ministers meeting held on 25th November 2014 at Kathmandu approved the amendment in Clause A(4) in the Terms of Reference ,which may be read as "*SAARC Secretariat would assist and coordinate activities of SAARCFINANCE. The Chair of SAARCFINANCE would rotate annually in an alphabetical order during the Group Meeting to be held on the sidelines of the IMF and World Bank Annual Meetings. The Cell in the Central Bank of the country holding the Chair of SAARCFINANCE would function as the SAARCFINANCE Secretariat*".

Developments in SAARC Payments Council (SPC)

i) State Bank of Pakistan hosted the 16th Meeting of SAARC Payments Council (SPC) during March 3-4, 2015 at Lahore, Pakistan. Mr. Kazi Abdul Muktadir, Deputy Governor, State Bank of Pakistan chaired the Meeting. Each SAARC member country presented the report on developing and strengthening their Payments and Settlement Systems and level of infrastructure established within their respective jurisdictions. On the concept of virtual currencies and a single harmonized payment system for the SAARC region, it was agreed that standardization of system would be the first step in this direction and the technical committee of the council was tasked to draw up a framework for future deliberations. The Council Meeting was followed by a seminar covering the topics focused on "*Principles of Financial Market Infrastructure, their Implementation and Issues Pertaining to Retail Payments Systems*". The presentations were made by Mr. Umar Faruqi, Member of Committee of Payments and Market Infrastructure in Bank for International Settlements, Basel. Two workshops were held on the following day for the SAARC Payments Council delegates. One was on the "*Role of Payments Systems in Financial Inclusion*" and the other was on "*Financial Market Infrastructure in SAARC Region*". Both workshops were led by senior officials of the Payment System Department of the State Bank of Pakistan which were received with enthusiasm and greater participation

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Under the scheme, the RBI offers full-time scholarship to candidates working in SAARC central banks/ministries of finance, for pursuing PhD; or M.A/M.S/MPhil leading to PhD in economics in any of the identified universities/institutions in India. The tenure of the scholarship is of four years, extendable by six months. At present, four scholarships per year are being awarded.

followed by intensive discussions. Bangladesh proposed to host the next 17th SAARC Payments Council meeting in the last quarter of 2015. The proposal was unanimously accepted.

ii) The 16th Meeting of the SAARC Payments Council (SPC) was held on Tuesday 3rd March 2015 at Lahore Pakistan under the Chairmanship of Mr. Kazi Abdul Muktadir, Deputy Governor, State Bank of Pakistan. The representatives from Bangladesh introduced the existing payment systems in Bangladesh comprising of Automated Clearing House, Automated Cheque Clearing Systems, Bangladesh Electronic Fund Transfer Network, National Payment Switch, Mobile Financial Services, Internet Banking and RTGS.

iii) One of the agenda of the 16th SPC Meeting was implementation of automation of large-value payment systems in all SAARC countries. Bangladesh Bank has already taken initiative to launch Real Time Gross Settlement by October, 2015 to automate large value payment.

iv) As per the decision of 15th SPC Meeting held in Kathmandu, Nepal, the 17th SPC meeting will take place in Bangladesh. The Governor of Bangladesh Bank has already approved to conduct the 17th SPC Meeting at Cox's Bazar during 15-16 November, 2015.

Miscellaneous Activties

v) Sharing of information among the SAARCFINANCE institutions is one of the major objectives of the Network. In this regard, a number of publications and other documents on various policy issues were exchanged among the member institutions.

vi) The SBP officials in finance and account departments held meetings through video links with their countries in RBI and BB to exchange information on practices of maintenance of government accounts with central banks. Their first meeting was held with the RBI officials on 29th April 2015. Similarly, the second meeting took place with the officials of Bangladesh Bank on 29th June 2015.

vii) Dr. Raghuram Rajan and Dr. Chiranjibi Nepal, Governor, NRB had a bilateral meeting on mutual cooperation between RBI and NRB on June 11, 2015 at Dhaka. The issues discussed included cooperation in foreign exchange management, currency management and monetary policy

Future Activities

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

a) Seminar on "Internal Audit: Management and Practices" to be hosted by State Bank of Pakistan in Novemeber 2015.

b) Seminar on "Regional Statistical Database" will be hosted by Reserve Bank of India in November/Decemeber 2015.

c) Bangladesh Bank will explore the possibility to hosting the first meeting of researchers from SAARC Central Bank for colloboratrive statudy on "Financial Inclusion in SAARC region" in November 2015.

d) State Bank of Pakistan will host the SAARCFNANCE seminar on "Payment System in the SAARC region" in March 2016.

e) Reserve Bank of India will revise draft concept paper on areas of regional cooperation and intengration which would eventually become Roadmap for SAARCFINANCE.