SAARC

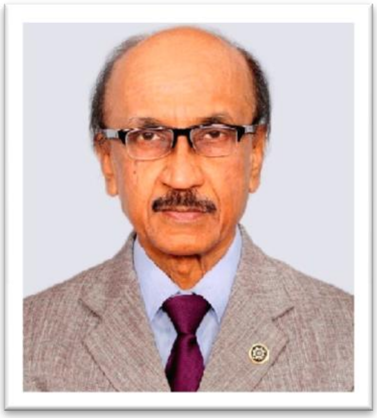
SAARCFINANCE E-NEWSLETTER

VOLUME NO. 21 JULY- DECEMBER 2016

Published By:

BANGLADESH BANK
Central Bank of Bangladesh

Table of Contents



Message from the Chairperson of SAARCFINANCE Network

I am pleased to know that the 21st issue of the SAARCFINANCE e-Newsletter, which covers the activities of SAARCFINANCE during the second half of 2016, is being published. I understand that it highlights the recent macroeconomic development in the SAARC region, activities of SAARC payment council, and the key economic indicators of the member countries.

I would like to express my gratitude to the SAARCFINANCE members for entrusting Bangladesh Bank (Central Bank of Bangladesh) to Chair the SAARCFINANCE Group and for providing the opportunity to publish this issue of e- Newsletter.

SAARCFINANCE was established in 1998 as a regional network of the SAARC Central Bank Governors and Finance Secretaries. It is presently working as a permanent body after receiving formal recognition at the 11th SAARC Summit, held in Kathmandu in January 2002. The main objective of this network is to share experiences on macroeconomic policy among member countries. Further, the network also works towards developing an efficient payment system mechanism within the SAARC region and strengthening cooperation in monetary policy formulation.

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

Fazle Kabir
Chairperson, SAARCFINANCE Group and
Governor, Bangladesh Bank

Objectives of SAARCFINANCE

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

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

COUNTRY REPORTS

Afghanistan

RECENT OVERALL MACROECONOMIC DEVELOPMENTS

Afghan Economy performed well and demonstrated favorable growth rate in 2016, the available figures and developments during the year signaled a moderate growth of 3.6%. The expansion in the economy in the 2016 was mainly driven by the Agriculture sector, which experienced a 12.4 percent growth rate. Services sector, which accounts for more than half of total output, is expected to have expanded by more than 2.4 percent. Manufacturing sector, however, demonstrated a modest growth, this is when deteriorating security economic and political uncertainty continues to jeopardize the economic activities in the country.

The available data reveals that the external sector improved further benefiting from modest growth in exports of goods, sustained decline in imports of goods and enhanced inflows in the current transfers (grants). A substantial increase in the current transfers and increases in earnings from exports of goods helped offset expenditure on imports to a sizable extent. These developments, together with an increase of workers' remittances and income inflows helped to reduce the external current account deficit by 20 percent to USD 3,771.83 million in the FY 2016 compared to a deficit of USD 4,720.68 million in the FY 2015.

Monetary aggregates such as Reserve Money (RM) and Currency in Circulation (CIC) are targeted based on expected economic growth and expected inflation during the concerned period. For the fiscal year 2016 the ceilings for reserve money and Currency in Circulation growth were set at 10% after taking into consideration the expected economic growth and inflation. At end of the fiscal year 2016 actual RM growth grew by 10.97 percent and actual CIC growth was 11 percent which are slightly above the target. Nonetheless, DAB managed to keep the RM and CIC below their target level for larger part of the year, while the year to year inflation rate remained in single digit (4.55 percent) and GDP growth was 2.1 percent in FY 2016.

The Figure 1.1 and 1.2 present the ceiling and the actual reserve money and currency in circulation for the year under review.

In 2016, during the second half of the year, the economy experienced on average headline inflation rate of 6.23 percent and it was higher than that of the first half 3.83 percent on average. Likewise, the inflation rate in the second half of 2016 marked a vast difference compared to a deflationary rate of (-2.11) percent in the second half of 2015. As the Afghan economy emerged from the recession it witnessed a gradual increase in average inflation during the year 2016; it reached to its peak of 7.37 percent in July 2016, thereafter, the trend started to decline gradually, almost to a normal rate to 4.55 percent during December 2016.

The rise in the prices was supported by the prices of both food and non-food items, but the prices of food items increased more than the prices of non-food items. The change in the prices of food items was almost doubled in the second half of 2016 compared to that of the first half, from on average 3.98 percent to 7.74 percent respectively. While the prices of non food items increased by 1.3 percentage points from 3.65 percent in first half of the year to 4.68 percent during the second half of 2016.

In the year 2016 Government of Afghanistan embarked on key reforms in taxation system where the government has increased the taxes in different sectors. As an outcome the domestic revenue increased sustainably in the year of 2016. The government continued to increase its domestic revenue collection in second six month of 2016 almost 4.6 percent which is equivalent to Afs 3.3 billion compare to second half of 2015 . A huge portion of the total revenue collected was due to the government new sources of revenue, exports and key reforms in taxation system such as doubling of the rate of business receipts tax (BRT) from 2 to 4 percent, increased levies on imported fuel and gas, a 10 percent tax on mobile phone top-ups, and an increase in the over flight fee for commercial aircraft. This is estimated at Afs 12.155 billion and sale of state-owned assets by the Ministry of Urban Development (Afs 1.085 billion). Although there were enormous improvement in revenue collection Afghanistan still relies on foreign aid due to high operating expenditure and security instability.

Nevertheless, it has to be mentioned that total annual revenue excluding grants in second half 2015 compared to second half of 2016 increased by 31 billion Afghani (25.5%) while the total revenue including grants also increase in second half of 2016 by 18.02 percent (54 billion Af) compared to second half of 2015.

At the same time the national unity government expenditure has been increased in second half 2016 compare to second half of 2015 by 14.46 percent equivalent to Af 27.7 billion, while it has to be mentioned that operating expenditure increased by Af 14.4 billion due to increase in judicial salaries, increase in teacher salaries, increase in national army Staff salaries and creating tow new entities legal training Centre and Afghan high Commissioner for Atomic Energy had significant role to the budget increase while at the same time the development expenditure has increased by Afs 13.4 billion.

KEY ECONOMIC INDICATORS: AFGHANISTAN

Key Macroeconomic Indicators (in million USD)	2016	2015	2014
A- Real Sector			
Inflation	4.55	0.08	1.41
Real GDP	7345.41	7596.61	8329.81
Nominal GDP	19730.95	19347.72	20616.74
Per Capita incom	695.71	688.41	754.44
B- External Sector			
1 .Current Account	-3786.43	-4753.57	-3948.40
goods and services	-6335.55	-7186.63	-6419.18
Primery Income	51.72	179.96	-2.37
Secondray Income	2497.40	2253.09	2473.15
2 .Capital Account	1418.13	1430.38	2552.31
3.Financial Account	652.77	-146.05	718.64
Direct Investment	-99.61	-169.15	-42.98
Portfolio Investment	90.85	81.50	148.67
Other investment	20.01	61.78	37.09
Reserve assets	641.27	-119.90	576.02
Net errors and omissions	3021.06	3177.14	2114.73
C- Monetary Sector			
Currency in Circulation	3435.23	3068.93	3641.19
Net international Reserves	6,821.90	6,443.00	6,693.65
Reserve Assets	7,541.02	6,965.81	7,247.76
Reserve Liabilities	719.13	522.80	554.12
Commercial bank deposits in foreign currency	647.68	433.57	443.80
Nonresident deposits in foreign currency	0.14	0.14	0.14
Use of Fund resources	71.31	89.10	110.18
D- Fiscal Sector			
Overal balance	79	(258)	(324)
Total Revenue Including Grants	5,347	5,326	5,043
Total Grants	3,042	3,161	5,039
Total expenditure	5,268	5,583	5,366
Total Operating Expenditures	3,867	4,129	4,069

Bangladesh

RECENT OVERALL MACROECONOMIC DEVELOPMENTS

Overview

Bangladesh economy has emerged as one of the resilient developing economies in the world. The economy grew at an average rate of 6.2 percent over the last decade (FY06 to FY15). The economy registered 7.11 percent annual GDP growth in FY16. Robust domestic demand along with recovery in external demand contributed to achieve this growth. Moreover, as per the preliminary estimate of Bangladesh Bureau of Statistics (BBS), real GDP growth is projected to be 7.24 percent in FY17. Twelve month average CPI inflation has been falling for last couple of years and came down to 5.5 percent in December 2016. The movement of monetary indicators broadly followed the program path set for the first half of FY17. Budget deficit contained within 5 percent of GDP as in the past. The Sector-wise brief analyses on Bangladesh economy during July-December 2016 (H1FY17) are given below:

Economic Growth

Several indicators signal a strong growth impulse in the first half of FY17, aided by macroeconomic and political stability, and strong domestic demand. Private sector credit growth at around 16 percent is a three year high figure, with strong domestic demand coming from trade, construction, and small and medium enterprise (SME) sectors, which helps productivity and job creation. Medium and large-scale manufacturing industry also grew robustly. Exports growth moderated but has held up relatively well compared to peers.

Looking ahead, the government's reform initiatives to improve the business climate and ease infrastructure bottlenecks, including by developing special economic zones, should help crowd in both private domestic and foreign direct investments that can create more jobs, raise productivity, and potential growth. Based on latest macroeconomic developments and Bangladesh Bank’s (BB’s) econometric model estimate, GDP growth is projected to be above 7 percent in FY17.

Price Developments

CPI inflation steadily came down to 5.03 percent (point-to-point) in December 2016, benefitting from both favorable food and non-food inflation dynamics. Non-food inflation has eased to 4.5 percent (point-to-point) in December 2016, down from 7.1 percent a year ago, reflecting favorable domestic production and global commodity prices. Twelve-month average inflation declined to 5.5 percent in December 2016 from 6.2 percent in December 2015. Average core inflation (non-food, non-fuel) has also nosed down but remains elevated at around 7.6 percent in December 2016, indicating inflation can pick up if affected by adverse shocks. The inflation dynamics in the first half of FY17 reflects a confluence of factors like domestic output growth supported by inclusive financing, continuing moderation in global commodity prices, and BB's growth supportive yet cautious monetary policy stance.

Looking ahead, the global commodity outlook suggests some upward price pressures may emerge from higher import prices.

Money and Credit Developments

Available data indicate the key objectives of the monetary program and policies for the first half of FY17 were largely met. Broad money (M2) growth stood at 13.8 percent in December 2016, against the programmed ceiling of 14.8 percent. Private sector credit grew by 15.6 percent in December 2016, a three year high but within the programmed ceiling of 16.6 percent. Credit to the public sector, however, has declined by 3.8 percent in December 2016, far below the programmed ceiling of 10.8 percent growth.

The monetary program for the second half of FY17 targeted a monetary growth path aiming at keeping average inflation below 5.8 percent and supporting GDP growth of 7.2 percent. The monetary program is based on the ceilings for broad money growth of 15.5 percent in June 2017. This is consistent with domestic credit growth within 16.4 percent and private sector credit growth within 16.5 percent by June 2017. These are indicative ceilings deemed sufficient to accommodate projected GDP growth target, even allowing for some unforeseen extra growth spurt.

External Sector Developments

During July-December 2016, the current account balance recorded a deficit of US Dollar 0.8 billion, down from a surplus of US Dollar 1.9 billion during the same period of the preceding fiscal year. Strong import growth (8.2 percent) coupled with a moderate growth in export (4.4 percent) and a slowdown in remittance inflows (-17.6 percent) contributed to the deficit. However, strong capital and financial account performance underpinned by net foreign direct investment portfolio and other investments led to an overall balance surplus of US Dollar 2.3 billion during July-December 2016.

Export is expected to pick up, with improving growth outlook in some advanced economies. Declining remittance would likely to receive some support from the higher number of workers going abroad and the better economic prospects in the Middle East, aided by rising oil prices. Import is projected to remain buoyant, reflecting higher domestic demand, driven by both investment and consumption. Bangladesh Bank projects overall balance surplus at US Dollar 2.9 billion for FY17 which would help the reserve coverage to remain around 7-8 months of prospective imports of goods and services in FY17.

Since the adoption of flexible exchange rate regime in May 2003, BB has allowed sufficient flexibility in the exchange rate movements, while smoothing out large day-to-day fluctuations. After a prolonged spell of appreciation pressure on Taka, it is depreciating slowly against USD since October 2016, in line with the gradual erosion of BOP current account surplus.

Fiscal Developments

1. Government expenditure:

Government Expenditure is shown under two broad categories, namely, Non-Development Expenditure and Development Expenditure. Total actual non-development spending up to December, 2016 stood at TK. 69157.83 crore which is 35.85 percent of the non-development budget allocated for the year FY17. Actual development expenditure during the same period is 19.37 percent of the development budget estimate. Note that, three memorandum items (Net Outlay of Food Accounts Operation, Loans and Advances and Non ADP Employment Generation Programme) are out of these two broad categories.

1.1 Non-Development Expenditure:

1.1.1 Non-Development Expenditure: General Classification

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

- For FY16-17, budget allocation were raised by 15.12 percent over the FY15-16 revised estimates and 4.34 percent over the original budget.
- Up to December 2016, spending in education, public order and safety, power, recreation, sectors were on the higher side. Below-average utilization in some sectors, like, general public service, social security and welfare, roads and railway, agriculture and LGD, RD & Cooperatives sector contributed to less-than-expected performance in total non-development spending.
- As a whole, non-development spending up to December 2016 was 35.85 percent of total Non-development budget.

1.1.2 Non-Development Expenditure: Economic Classification

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

- Up to December 2016, utilization rate of total non-development expenditure was 35.85 percent.

1.2 Development Expenditure

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

- Up to December 2016, ADP expenditure is 27.66 percent of the total ADP. The actual outturn for the same period of the previous fiscal year was about 27.73 percent of revised ADP;
- Up to December, 2016 the maximum share of ADP spending went to housing and public works (78.36 percent) followed by the power sector (47.72 percent).

2. **Revenue income**:
    - It is generated from tax and non-tax sources. Up to December 2016, 36.64 percent of total revenue target has been achieved. During this period, major share of the revenue came from National Board of Revenue (NBR) through taxes (85.46 percent). Total NBR tax collection was 37.41 percent of the annual target. Regarding NTR (Non Tax Revenue) 31.51 percent of the annual target has been achieved.
    - Total NBR revenue collection in FY16 was 8.44 percent of GDP (base 2005-06) and 82.43 percent of the revised budget target;
    - In FY17, total revenue is expected to be scaled up to 12.35 percent of GDP (base 2005-06). This figure is about 26.9 percent higher than the revised budget estimate of FY16 and about 28.8 percent higher than the actual collection in the FY16
    - Up to December, 2016 total revenue collection for FY17 increased by 17.1 percent compared to the corresponding period of the previous fiscal year (FY16) and achievement as to annual target is 36.64 percent.
3. **Budget Deficit:**
    - In FY16, actual budget deficit (excluding grants) as percentage of GDP was 5.08 percent. Including grants it was 4.78 percent of GDP;
    - Budget deficit (excluding grants) for FY17 is estimated to be 2.44 percent of GDP (Including grants the deficit is expected to be 2.17 percent of GDP);
    - For FY17, actual overall balance up to December, 2016 (excluding grants) as percentage of GDP was 0.33 percent.

Achieving Targeted Growth:

- Sustained political stability will encourage private investment;
- Improved physical infrastructure (power and energy, transport and communication) will facilitate higher growth in the medium term;
- Increase in private sector credit flows, growth in agriculture, vibrant rural economy and higher Govt. spending will boost domestic demand;
- Sustained macro-economic stability along with declining inflation and interest rates and stable exchange rate will create conducive environment for higher growth;
- Rise in exports is expected to contribute further to boost the economic growth;
- Reforms in fiscal, monetary, financial and external sectors will help sustain and consolidate the medium term growth projections.

Latest Development of Some Macroeconomic Indicators

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

- As per the preliminary estimate of Bangladesh Bureau of Statistics (BBS), real GDP growth has registered 7.24 % in FY 2016-17 which was 7.11 % in FY2015-16.
- As per latest available data overall inflation (base: 2005-06=100) is 5.39% on yearly average basis (5.39% on point-to-point basis also) at the end of March, 2017.
- Export growth has increased to 3.67% compared to the same period of the previous fiscal year amounting USD 31790.75 million during July-May, 2017.
- Imports have increased by 11.74% compared to the same period of the previous fiscal year amounting USD 39,154.10 million during July-April of FY 2017.
- Remittance growth has decreased by 14.19% compared to the same period of the previous fiscal year amounting USD 11554.84 million during July-May, 2017.
- The overall surplus in the country's BOP stood at USD 2,303 million during July-April of FY 2017.
- The country's foreign exchange reserve on 06 June 2017 stood at USD 32.39 billion due mainly to satisfactory export growth.
- The nominal exchange rate of Taka against US$ remained stable at Tk.80.5898 per USD as on June 5, 2017.

HIGHLIGHTS OF MAJOR POLICY ANNOUNCEMENTS

1. **Bangladesh Bank (BB) has issued guideline regarding disbursement of agricultural and rural credit under agent banking.**

   Scheduled banks can disburse agricultural and rural credit under agent banking in addition to their ongoing agricultural credit disbursement activities. A thorough guideline has been issued indicating how to carry out agricultural and rural credit activities under agent banking.
2. **Repatriation of export proceeds through online payment gateway service providers has been enhanced.**

   Repatriation of export proceeds through online payment gateway service providers has been enhanced the maximum limit per transaction from USD 2,000 to USD 5,000.
3. **The limit of foreign exchange transaction for IT/Software firms has been enhanced.**

   Authorized Dealers are allowed to enhance the remittable limit from USD 20,000 to USD 25,000 in a calendar year on behalf of IT/Software firms to meet their bona fide expenses in a calendar year. Accordingly, the limit for issuance of International Card to a nominated official of IT/Software firm is also increased to USD 2,500 from USD

2,000 within the revised total limit of USD 25,000.

4. **Two Step Loan (TSL) fund for refinance or pre-finance under JICA assisted Urban Building Safety Project (UBSP, BD-P84) has been introduced.**

   Government of the People's Republic of Bangladesh has introduced a Two Step Loan (TSL) fund in Bangladesh Bank to strengthen the building safety of RMG factories in Dhaka, Narayanganj and Gazipur district and Chittagong city through short to long term finance under the "Urban Building Safety Project (UBSP, BD-P84) sponsored by Japan International Agency (JICA) of Japan. Under the project, JICA will lend the concessional ODA loan to the Government.

5. **BB has issued Guidelines on Core Banking Solution (CBS) Features and Controls.**

   Guidelines on core banking solution features and controls have been issued to formulate a uniform set of instructions that should be accommodated as minimum requirement but not limited to any CBS.

KEY ECONOMIC INDICATORS: BANGLADESH

	Unit	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17 (July-December)
I. Real Sector									
Per Capita GDP	USD	687	748	766	1088	1115	1236	1385	N/A
Real GDP Growth	%	6.1	6.7	6.3	6.2	6.12	6.6	7.1	N/A
GDP (Market Price)	Billion USD	100.4	111.9	115.7	129.9	173.8	195.2	221.0	N/A
Agriculture	% of GDP	20.3	18.0	17.4	16.8	16.3	15.5	14.8	N/A
Industry	% of GDP	29.9	27.4	28.1	29.0	29.6	28.2	28.8	N/A
Services	% of GDP	49.8	54.6	54.5	54.2	54.1	56.4	56.5	N/A
Investment	% of GDP	24.4	27.4	28.2	28.4	28.7	28.9	29.7	N/A
National Savings	% of GDP	30.0	29.0	29.9	30.5	30.5	29.0	30.8	N/A
Headline Inflation (12 mth avg)*	%	7.3	8.8	10.6	6.8*	7.4*	6.4	5.9	5.5
- Food Inflation	%	8.5	11.3	10.4	5.2*	8.6*	6.7	4.9	4.5
- Non-Food Inflation	%	5.5	4.2	11.1	9.2*	5.5*	6.0	7.5	7.1
- Core inflation	%	NA	NA	NA	NA	NA	NA	8.0	7.59
II. Fiscal Sector									
Revenue Collection (CSR)	Billion USD	11.5	13.4	15.0	17.5	18.1	18.8[R]	22.8	N/A
Fiscal Deficit (excluding grants)	% of GDP	3.7	4.4	5.0	4.8	4.1	3.9[R]	5.0	N/A
Fiscal Deficit (including grants)	% of GDP	3.3	3.8	4.6	4.3	3.5	3.7[R]	4.7	N/A
Public Debt	% of GDP	32.3	32.4	31.8	30.0	29.1	27.3	27.2	N/A
- of which foreign debt	% of GDP	17.6	17.2	16.6	14.9	14.1	12.1	11.7	N/A
- domestic debt	% of GDP	14.7	15.2	15.2	15.1	15.0	15.2	15.5	N/A
- debt servicing	% of total revenue	7.7	6.9	6.5	6.3	7.2	5.2	4.58	N/A
III. External Sector									
Exports (f.o.b)	Billion USD	16.2	22.6	24.0	26.6	30.2	30.7[R]	33.4	16.4
Imports (f.o.b.)	Billion USD	21.4	30.3	33.3	33.6	36.6	37.7[R]	39.4	20.9
Trade Deficit	Billion USD	5.2	7.7	9.3	7.0	6.8	7.0[R]	6.3	4.5
Remittances	Billion USD	11.0	11.7	12.8	14.5	14.2	15.3	14.9	6.2
Current Account Balance	Billion USD	3.7	-1.7	-0.4	2.4	1.4	3.5[R]	4.4	-0.8
Current Account Balance	% of GDP	3.7	1.5	0.3	1.9	0.9	0.8	2.0	N/A
Total Foreign Investment	Million USD	796	740	1193	2094	2369	2213[R]	2128	1652
- Foreign Direct Investment	Million USD	913	768	995	1726	1432	1834[R]	2004	1468
- Portfolio Investment	Million USD	-117.0	-28.0	198.0	368	937	379[R]	124	184
External Debt and Forex Liabilities	Billion USD	20.3	21.5	22.8	22.3	23.6	23.5	26.0	N/A
External Debt and Liabilities	As % of Forex earnings	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Outstanding Debt	% GDP	20.3	19.7	19.7	14.9	14.1	12.1	11.7	N/A
External Debt Servicing Ratio	% of outstanding external debt	4.3	4.2	4.2	4.2	4.2	4.7	4.03	N/A
Exchange Rate	Per USD	69.2	71.2	79.1	79.9	77.8	77.7	78.3	78.5
Foreign Exchange Reserve	Billion USD	10.8	10.9	10.2	15.3	21.5	25.0	30.2	32.1
IV. Monetary & Capital Market									
Growth Rate of M_1	y-o-y	28.0	18.7	6.4	10	14.6	14.3	32.1	21.5
Growth Rate of M_2	y-o-y	22.4	21.3	17.4	16.7	16.1	12.4	16.3	13.8
Growth Rate of M_3	y-o-y	23.0	18.9	15.5	15.3	16.5	14.8	18.3	16.8
Weighted Avg. Lending Rate	%	11.3	12.4	13.8	13.7	13.1	11.7	10.4	9.9
Credit growth to Private Sector	%	24.2	25.8	19.7	10.9	12.2	12.9	16.6	15.6
Stock Market (Price Index)		5111.6	6117.2	4572.9	4385.8	4480.5	4583.1	4507.6	5036.1
Market Capitalization of DSE[#]	Billion Taka	2700.7	2853.9	2491.6	2530.2	2386.3	2701.9	2614.5	2855.5
Market Capitalization of DSE[#]	% of GDP	38.9	35.8	27.2	24.4	17.7	17.8	15.1	N/A
Market Capitalization of DSE[#]	Billion USD	39.0	40.1	31.5	31.7	30.7	34.7	33.3	36.3
V. Banking Sector Indicators									
Capital adequacy ratio	%	9.3	11.4	10.5	9.1	10.7	10.3	10.3	10.8
Non performing loans	%	7.3	6.1	10.0	11.9	10.8	9.7	10.1	9.2
Profitability (R.O.E)	%	21.0	17.0	8.2	8.2	8.4	6.6	6.7	6.0
Profitability (R.O.A)	%	1.8	1.5	0.6	0.6	0.6	0.5	0.4	0.9

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

Bhutan

Recent Overall Macroeconomic Developments

1. Bhutan's real GDP continues to grow by 6.49 percent in 2016 from 5.75 percent in the previous year. Contribution to real GDP was mainly due to growth in Secondary sector by 3.52 percent followed by Tertiary sector by 2.39 percent and Primary sector by 0.59 percent.

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

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

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

4. On external front, as of the December 2016, the current account deficit narrowed by

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

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

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

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

Highlights of Major Policy Announcements

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

2. The RMA launched RemitBhutan (www.remitbhutan.bt) on 21st September 2016. This facility is being made available exclusively to Non-Resident Bhutanese (NRB), i.e.

Bhutanese who live, work and study overseas to enable them to remit their earnings and savings to their personal foreign currency accounts or to their family members in Bhutan.

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

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

Key Economic Indicators: Bhutan

Bhutan Key Macroeconomic Indicators

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

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

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

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

3.Foreign Exchange Reserve comprises of Indian Rupee and USD

4. (-) data not available

5.(P) Provisional estimates

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

India

Recent Overall Macroeconomic Developments

- ***Growth Outlook:*** Growth in real GDP at market prices increased to 7.0 per cent in 2016-17:Q3 (6.9 per cent in 2015-16:Q3), largely reflected in growth in consumption expenditure (both private and government) and fixed investment, while growth in net exports declined. During April-December, 2016-17, growth in real GDP at market prices was placed at 7.2 per cent as compared to 7.7 per cent in corresponding period in previous year.

- Real GVA growth decelerated to 6.6 per cent in 2016-17:Q3 (7.0 per cent in 2015-16:Q3) on account of sharp deceleration in industrial and services sector growth, whereas growth in agriculture sector increased. Within the industrial sector, while growth in 'electricity, gas, water supply and other utility services' subsector increased, that of 'mining & quarrying' and 'manufacturing' subsector decelerated. Slowdown in services sector growth was reflected in deceleration in 'construction', 'trade, hotels, transport, communication and services related to broadcasting' and 'financial, real estate & professional services' subsector, while growth in 'public administration, defence and other services' subsector increased. Real GVA growth in April-December, 2016-17 was placed at 6.7 per cent as compared to 7.7 per cent in corresponding period in previous year.

- ***Inflation Outlook:*** After recording a 23-month peak of 6.1 per cent in July 2016, CPI inflation started declining and reached a trough of 3.2 per cent in January 2017, an all-time low in the all India CPI series. The decline was primarily due to a sharp correction in food prices and favourable base effect, which was at work till November 2016. However, after recording a downward trend for 6 consecutive months, CPI inflation increased to 3.7 per cent in February 2017 driven by price pressures in fuel and light and housing sub groups. The average inflation during April 2016 - February 2017 at 4.6 per cent remained lower than 4.9 per cent during the corresponding period of the previous year.

- Food inflation depicted a consistent rise during April-July 2016 on account of price pressures in protein rich items (mainly pulses, egg, meat and fish), vegetables and sugar. Inflation in the food group stood at 8.0 per cent in July 2016 (highest since August 2014). After July 2016, food inflation eased continuously till January 2017 (1.4 per cent), before firming up in February (2.5 per cent). Higher than anticipated fall in food prices, especially in vegetables and pulses, steered by a bumper *kharif* crop in the wake of normal monsoon, along with favourable base effects, which worked through until November, resulted in the significant lowering of food inflation during Q4:2016-17. Vegetables, which witnessed double-digit inflation during May-July 2016, posted considerable softening in price pressures August 2016 onwards. Anecdotal evidence pointed towards episodes of distress sales of perishable vegetablespost implementation of demonetization in November 2016 that drove cash shortages in the economy keeping markets depressed. Prices crashed in case of primary vegetables like potato and tomato as well as in case of seasonal vegetables like cabbage, cauliflower and peas. Pulses, with a weight of 5 per cent in the food group, emerged as another major contributor to the fall in food inflation. Pulses inflation depicted a significant moderation from October 2016, even treading negative from December 2016 owing to higher *kharif* production. Inflation in case of fuel and light remained moderate at 3.1 per cent during April-February 2017. In excluding food and fuel category, inflation remained range-bound at around 4.8 per cent during this period.

- Going forward, inflation is expected to rise as food price pressures are likely to emerge on account of seasonal uptick in vegetables prices. Price pressures in housing and personal care and effects also warrant some caution. Further, upside pressures may also emanate from hardening global commodity prices which could have direct and indirect impact on headline inflation in the domestic front.

- ***External Sector Outlook:*** India's current account deficit (CAD) at US$ 7.9 billion (1.4 per cent of GDP) in Q3 of 2016-17 was higher than US$ 7.1 billion (1.4 per cent of GDP) in Q3 of 2015-16 and US$ 3.4 billion (0.6 per cent of GDP) in the preceding quarter. Despite a slightly lower trade deficit on a year-on-year (y-o-y) basis, the CAD widened primarily on account of a decline in net invisibles receipts.

- Net services receipts moderated on a y-o-y basis, primarily owing to the fall in earnings from software, financial services and charges for intellectual property rights.

- In the financial account, net foreign direct investment at US$ 9.8 billion in Q3 of 2016-17 was marginally lower than its level a year ago.

- Reflecting the redemption of FCNR (B) deposits, non-resident Indian (NRI) deposits declined by US$ 18.5 billion in Q3 of 2016-17 as against an inflow of US$ 1.6 billion a year ago.

- The reserves stood at US$ 358.9 billion on December 31, 2016. In Q3 of 2016-17, foreign exchange reserves (on BoP basis) declined by US$ 1.2 billion as against an increase of US$ 4.1 billion in Q3 of last year. However, during current calendar year so far (since end-December 2015), there has been an accretion of reserves by US$ 8.52 billion (including valuation change) up to end-December 2016.

- On September 22, 2016, in the backdrop of the continued challenging global environment being faced by Indian exporters, Department of Commerce (Govt. of India) has extended support to certain new products and enhanced the rate of incentives for certain other specified products under the Merchandise Exports from India Scheme (MEIS).

  In 2016 so far, FDI limits/norms for select sectors have been further eased. Major sectors include insurance, pension, business to consumer e-commerce, defence, civil aviation, single brand retail trading, and pharmaceuticals.

Monetary Developments

- Reserve Money (RM) contracted by 15.1 per cent during 2016-17 so far (as on March 24, 2017) as against a growth of 14.5 per cent during the corresponding period last year. This was due to a decline in currency in circulation by 21.5 per cent following the withdrawal of legal tender status of specified banknotes (SBNs) from November 9, 2016 and their subsequent demonetisation from December 31, 2016. Broad money (M3) growth as on March 3, 2017, at 7 per cent, was lower as compared to 10.6 per cent last year mainly due to a decline in currency with the public even as aggregate deposits showed a higher growth. The y-o-y credit growth of Scheduled Commercial Banks (SCBs) as on March 3, 2017 decelerated to 4.1 per cent from 11.1 per cent during the corresponding period last year.

- ***Fiscal Policy:*** The Union Budget 2017-18 aims to "Transform, Energise and Clean (TEC) India" through enhanced expenditure while maintaining fiscal prudence, continuation of economic reforms, promoting higher investments, and measures to curb black money. The government remained committed to the spirit of fiscal consolidation as the Centre's gross fiscal deficit (GFD) was projected to decline by 0.3 percentage point to 3.2 per cent in 2017-18. The budgeted GFD-GDP ratio is expected to be achieved through an increase in non-debt receipts, particularly through tax revenues and disinvestment proceeds while making room for enhanced budgetary allocation towards farm and rural sector, social sector, infrastructure and employment generation.

- The Revised Estimates (RE) for 2016-17 indicate that the key deficit indicators were contained at their budgeted levels for the year. While Revenue Deficit (RD) at 2.0 per cent of GDP was lower than the budgeted target of 2.3 per cent, the GFD was contained at the budgeted 3.5 per cent. Higher non-debt receipts (both tax and non-tax receipts) allowed the government expenditure to surpass the budgeted target. Capital expenditure recorded a growth of 10.6 per cent over the previous year. This also indicates improvement in the quality of fiscal consolidation undertaken by the Centre. Revenue expenditure was broadly contained at the budgeted level despite having to bear the burden of additional expenditure on account of implementation of Seventh Central Pay Commission (CPC VII) award and One Rank One Pension (OROP) in defence.

- The fiscal position of the Central Government deteriorated during April-February 2016-17 as compared to the corresponding period of the previous year. This has been on account of lower non-tax revenue combined with higher revenue expenditure, notwithstanding higher tax revenues and non-debt capital receipts. Gross tax revenue, both in absolute terms as well as percentage of RE, was higher than in corresponding period of the previous year, with higher collections under both direct and indirect taxes. Within direct taxes, income tax collections (at 77.6 percent of RE) were higher than last year (76.1 per cent). Total expenditure, at 87.0 percent to RE, was contained at the same level as last year. This was on account of a combined effect of higher expenditure on revenue account and lower expenditure on capital account. Revenue expenditure was higher than last year, on both Plan and non-Plan accounts, recording a growth of 15.0 per cent. Capital expenditure was marginally lower than last year.

Highlights of Major Monetary Measures taken by the Reserve Bank since July2016

April 6, 2017	First Bi-monthly Monetary Policy Statement for 2017-18 decided to • Keep the policy repo rate under the liquidity adjustment facility (LAF) unchanged at 6.25 per cent. • Consequent upon the narrowing of the LAF corridor, the reverse repo rate under the LAF is at 6.0 per cent, and the marginal standing facility (MSF) rate and the Bank Rate are at 6.50 per cent.
February 8, 2017	Sixth Bi-monthly Policy Statement for the year 2016-17 decided to • Keep the policy repo rate under the liquidity adjustment facility (LAF) unchanged at 6.25 per cent. • Consequently, the reverse repo rate under the LAF remains unchanged at 5.75 per cent, and the marginal standing facility (MSF) rate and the Bank Rate at 6.75 per cent.
December 7, 2016	Fifth Bi-monthly Policy Statement for the year 2016-17 decided to • Keep the policy repo rate under the liquidity adjustment facility (LAF) unchanged at 6.25 per cent. • Consequently, the reverse repo rate under the LAF remains unchanged at 5.75 per cent, and the marginal standing facility (MSF) rate and the Bank Rate at 6.75 per cent.
October 4, 2016	Fourth Bi-monthly Monetary Policy Statement, 2016-17 decided to • Reduce the policy repo rate under the liquidity adjustment facility (LAF) by 25 basis points from 6.5 per cent to 6.25 per

	cent with immediate effect. • Consequently, the reverse repo rate under the LAF stands adjusted to 5.75 per cent, and the marginal standing facility (MSF) rate and the Bank Rate to 6.75 per cent.
August 09, 2016	Third Bi-monthly Monetary Policy Statement, 2016-17 decided to • Keep the policy repo rate under the liquidity adjustment facility (LAF) unchanged at 6.5 per cent; • Keep the cash reserve ratio (CRR) of scheduled banks unchanged at 4.0 per cent of net demand and time liabilities (NDTL); and • Continue to provide liquidity as required but progressively lower the average ex ante liquidity deficit in the system from one per cent of NDTL to a position closer to neutrality.

Key Economic Indicators of India

	Unit	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
I. Real Sector													
Per Capita GDP (Real) $	**US$**	664	701	851	785	814	909	1495	1372	1297	1359	1351	
Real GDP Growth $	**%**	9.5	9.6	9.3	6.7	8.6	8.9	6.7	5.5	6.5	7.2	7.9	
GDP (MP at Current Prices) $	**Billion US$**	834	948	1241	1227	1367	1707	1824	1828	1857	2035	2088	
Agriculture Growth	**%**	5.1	4.2	5.8	0.1	0.8	8.6	5.0	1.5	5.6	-0.3	0.8	
Industry Growth	**%**	8.5	12.9	9.2	4.1	10.2	8.3	6.7	4.6	4.7	8.4	10.3	
Services Growth	**%**	11.1	10.1	10.3	9.4	10.0	9.2	7.1	7.0	7.0	8.5	8.8	
Investment	**% of GDP(MP)**	34.7	35.7	38.1	34.3	36.5	36.5	39.6	39.1	35.7	35.0	35.0	
Domestic Savings $$	**% of GDP(MP)**	33.4	34.6	36.8	32.0	33.7	33.7	31.3	33.1	31.4	32.3	31.6	
Headline Inflation (WPI)	**%**	4.5	6.6	4.7	8.1	3.8	9.6	8.9	7.4	6.0	2.0	-2.5	3.5
- Food Inflation	**%**	3.7	7.9	5.6	8.9	14.6	11.1	7.2	9.3	9.4	4.9	2.6	6.7
- Non-Food Inflation	**%**	4.7	6.2	4.5	7.8	0.2	9.0	9.6	6.6	4.6	0.8	-4.6	2.0
- Excl. Food and Fuel inflation	**%**	2.6	6.1	5.7	6.8	0.9	8.1	8.4	5.6	3.0	1.4	-2.4	1.3
Headline Inflation (CPI)*	**%**	4.4	6.7	6.2	9.1	12.4	10.4	8.4	9.9	9.4	5.8	4.9	4.6
- Food Inflation	**%**	4.1	9.2	8.4	12.3	15.2	9.9	6.3	11.2	11.9	6.5	5.1	4.6
- Fuel & Light Group Inflation	**%**	-4.5	5.7	2.2	8.2	3.6	9.8	15.3	9.7	7.7	4.2	5.3	3.1
- Excl. Food and Fuel inflation	**%**	6.6	3.2	4.6	6.0	10.5	11.2	9.8	9.0	7.2	5.4	4.6	4.8
II. Fiscal Sector													
Revenue Collection (CSR)	**Billion Rs.**	3471	4344	5419	5403	5728	7885	7514	8792	10147	11015	11950	14235.6 @
Fiscal Deficit (excluding grants)	**% of GDP**												
Fiscal Deficit (including grants)	**% of GDP**	4.0	3.3	2.5	6.0	6.5	4.8	5.9	4.9	4.5	4.1	3.9	3.5 @
Public Debt	**% of GDP**	40.2	38.4	38.5	38.1	38.0	36.2	38.9	39.6	39.3	39.5	40.3	39.1 @
- of which external debt^	**% of GDP**	2.6	2.4	2.2	2.2	2.1	2.0	1.9	1.8	1.6	1.6	1.5	1.5 @
- domestic debt ^^	**% of GDP**	37.6	36.0	36.3	35.9	35.9	34.2	37.0	37.8	37.6	37.9	38.8	37.6 @
- debt servicing	**% of total Revenue**	4.0	3.3	2.5	6.0	6.5	4.8	5.9	4.9	4.5	4.1	3.9 @	3.5 #
III. External Sector													
Exports (f.o.b)	**Billion US$**	105.2	128.9	166.2	189.0	182.4	256.2	309.8	306.6	318.6	316.5	266.4	202.8++
Imports (c.i.f)	**Billion US$**	157.1	190.7	257.6	308.5	300.6	383.5	499.5	502.2	466.2	461.5	396.4	285.5++
Trade Deficit	**Billion US$**	-51.9	-61.8	-91.5	-119.5	-118.2	-127.3	-189.8	-195.7	-147.6	-144.9	-130.1	82.8++
Remittances	**Billion US$**	24.5	29.8	41.7	44.6	51.8	53.1	63.5	64.3	65.5	66.3	63.1	42.2++
Current Account Balance	**Billion US$**	-9.9	-9.6	-15.7	-27.9	-38.2	-48.1	-78.2	-88.2	-32.4	-26.9	-22.2	-11.6++
Current Account Balance	**% of GDP**	-1.2	-1.0	-1.3	-2.3	-2.8	-2.8	-4.2	-4.8	-1.7	-1.3	-1.1	-0.7++
Total Foreign Investment	**Million US$**	15528	14753	43326	8342	50363	42127	39231	46711	26386	73456	31891	27384++
- Foreign Direct Investment	**Million US$**	3034	7693	15893	22372	17966	11834	22061	19819	21564	31251	36021	30571++

- Portfolio Investment	**Million US$**	12494	7060	27433	-14031	32396	30293	17170	26891	4822	42205	-4130	-3187++
External Debt and Forex Liabilities	**Billion US$**	139.1	172.4	224.4	224.5	260.9	317.9	360.8	409.4	446.2	475.0	485.1	456.1~
External Debt and Forex Liabilities	**% of forex earnings**	109.0	115.6	138.0	112.2	106.9	95.9	81.6	71.3	68.2	71.9	74.3	78.7~
Short-term debt to GDP	**%**	2.4	2.9	3.7	3.9	3.6	3.7	4.6	5.3	4.9	4.3	4.1	3.9~
External Debt Service Ratio		10.1##	4.7	4.8	4.4	5.8	4.4	6.0	5.9	5.9	7.6	8.8	-
Exchange Rate	**Per US$**	44.3	45.3	40.3	46.0	47.4	45.6	47.9	54.4	60.5	61.1	65.5	67.1
Foreign Exchange Reserves	**Billion US$**	152	199	310	252	279	305	294	292	304	342	360	370
IV. Monetary & Capital Market													
Growth Rate of M_1	y-o-y	20.7	17.1	19.4	9.0	18.2	10.0	6.0	9.2	8.5	11.3	13.5(P)	-7.7 (P)
Growth Rate of M_2	y-o-y												
Growth Rate of M_3	y-o-y	16.9	21.7	21.4	19.3	16.9	16.1	13.5	13.6	13.4	10.9	10.1 (P)	7.0 (P)
Weighted Avg Lending Rate of SCBs	**% (as on 31st March)**	12.0	11.9	12.3	11.5	10.5	11.4	12.6	12.0	12.0	11.8	-	-
Bank Credit to commercial sector (%)	**%**	27.3	26.1	21.1	16.9	15.8	21.3	17.8	13.5	13.7	9.3	11.1(P)	3.9 (P)
Stock Market (Price Index) (BSE)	**End 1991=100**	965.8	1119.2	1339.5	831.2	1500.7	1664.9	1490.1	1612.7	1916.7	2393.7	2169.7	2524.5 @@
Market Capitalization (as leading stock mkt)	**Domestic Currency in Billion**	30221.9	35450.4	51380.2	30860.8	61656.2	68390.8	62149.1	63878.9	74153.0	101492.9	94753.3	120426.1 @@
Market Capitalization (as leading stock mkt)	**% of GDP**	81.8	82.5	103.0	54.8	95.2	87.9	70.4	64.0	65.8	81.3	69.8 (P)	79.0 @@
Market Capitalization (as leading stock mkt)	**Billion US$**	679.4	805.2	1273.2	602.4	1355.2	1520.1	1235.1	1209.6	1215.4	1625.2	1422.7	1843.9 &&
V. Banking Sector Indicators													
Capital adequacy ratio	**%**	12.3	12.3	13.0	13.2	13.6	13.0	12.9	13.9	13.0	12.9	13.3	13.3&
Non-performing loans	**%**	3.3	2.5	2.3	2.3	2.4	2.5	3.1	3.2	3.8	4.3	7.8	9.1
Profitability (R.O.E.)	**%**	14.8	15.5	16.0	15.4	14.3	15.0	14.6	13.8	10.7	10.4	3.2	5.0
Profitability (R.O.A.)	**%**	1.0	1.1	1.1	1.1	1.1	1.1	1.1	1.04	0.8	0.8	0.3	0.4

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 2005-06 to 2011-12 correspond to CPI-IW (Annual Average Indices) with base 2001=100 and thereafter CPI-Combined with base 2012=100.
** Inflation for 2016-17 pertains April-February.
***: Pertains to the central government finances.
@: pertains to revised estimates.
#: Pertain to budget estimates
^: External debt at historical exchange rate.
^^: Pertains to internal debt.
++: 2016-17 data pertains to April-December.
~: At the end-December 2016.
@@: As on March 21, 2017.
&: CRAR figures for 2013-14, 2014-15, 2015-16 and 2016-17 are as per the Basel III framework. All Banking Sector Indicator data are as of September 2016.
&&: Figure has been arrived at by using RBI's reference rate on March 21, 2017.

Maldives

Recent overall macroeconomic developments

The tourism sector (largest contributor to the GDP) showed a significant growth in annual terms during H2-2016 after recording a weaker-than-expected growth in H1-2016, largely due to pick-up in tourist arrivals from China. In addition, tourist arrivals increased in H2-2016 in annual terms on account of an increase in arrivals from Europe which offset the annual decline in arrivals from China. As for other key sectors of the Maldivian economy, the construction sector continued to perform robustly due to the ongoing infrastructure projects during the year. This was indicated by the significant growth in construction-related imports during the latter half of the year. Moreover, fisheries sector improved in H2-2016 compared with H2-2015 as indicated by the increase in fish purchases made by fish processing companies. However, credit extended to the wholesale and retail sector declined in December 2016 when compared with June 2016.

Looking at the developments in prices, the consumer price index (CPI) inflation picked-up in H2-2016 registering an average of 0.7% during the period compared with 0.3% in H1-2016. The pick-up in prices during H2-2016 was largely due to the increase in prices of staple food items, namely rice, flour and sugar, as a result of the reduction in government subsidy for these items in October 2016. However, fish prices (the most volatile component in the CPI) registered a decline during H2-2016.

With regard to public finance, total revenue declined slightly during Jul-Oct 2016[1]compared with the corresponding period of 2015. This was entirely contributed by a fall in tax revenue which offset the slight increase in non-tax revenue. The decline in tax revenue was largely due to a fall in both bank profit tax and business profit tax which offset the significant increase in tax revenue from the green tax which was introduced in November 2015. Non-tax revenue,on the other hand, increased mainly on account of higher revenue from resort lease rent. Meanwhile, total expenditure also increased during the period Jul-Oct 2016 compared with Jul-Oct 2015, mainly owing to an increase capital expenditure and partly owing to higher recurrent expenditure. Capital expenditure increased largely due to expenditure on public sector investment program while recurrent expenditure increased mainly due to an increase in interest payments on annual terms. During this period, the budget deficit was mainly financed through domestic sources: mainly through the issuance of treasury bills.

As for monetary developments, the annual broad money (M2) growth largely remained unchanged at the end of December 2016compared withan annual growth of 9% at the end of June 2016. This was largely due to the significant reduction in the net foreign assets (NFA) of the banking system, mainly owing to the decline in the NFA of the MMA. The slight

[1] Data relating to public finance was available only up to October 2016 at the time of compilation of this report. Monthly income and expenditure data are subject to change and may vary from month to month as the Public Accounting System data is updated regularly.

deceleration in net domestic assets (NDA) of the banking system also weighed negatively on the annual broad money growth. Further, bank credit to the private sector decelerated to 11% at the end of December 2016 from 20% at the end of June 2016.

With regard to external sector developments, the merchandise exports reduced in the latter half of 2016 compared with the corresponding period of 2015. This was due to fall in both domestic exports and re-exports. Meanwhile, import expenditure increased mainly due to higher import of construction-related items as well as machinery and mechanical appliances during the review period. Meanwhile, gross international reserves[2]stood at US$467.1 million at the end of December 2016, which reflected an annual decline of 17% when compared with the annual decline of 12% at the end of June 2016. This was largely due to an investment in a corporate bond issued by the Maldives Airports Company Ltd in the domestic market. Meanwhile, the usable reserves[3]amounted to US$200.0 at the end of December 2016, which was an annual growth of less than 1% compared with the annual decline of10% in June 2016. Despite the decline in gross international reserves, the usable reserves were maintained at an adequate level at the end of December 2016 due to a US dollar currency swap arrangement with the Reserve Bank of India.

Highlights of the major policy announcements

The monetary policy framework broadly remained unchanged during H2-2016. The MRR remained fixed at 10% for both local and foreign currency deposits since August 2015. Likewise, there were no operational reforms brought to open market operations and standing facilities of the MMA during the review period. Excess liquidity in the banking system was absorbed through the overnight deposit facility (at a 1.5% p.a. remuneration rate), due to the suspension in open market operations since May 2014. Meanwhile, the facility of short-term borrowings from the MMA continues to be open for all banks via the Overnight Lombard Facility. The borrowing rate of Overnight Lombard facility remained unchanged at 10% p.a. Despite this, no bank applied for this facility during the review period.

[2] 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.

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

KEY ECONOMIC INDICATORS: MALDIVES

	Unit	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
I. Real Sector														
Per Capita GDP/1	**US$**	3666.6	3307.3	4161.5	4656.7	5404.4	5585.4	5903.3	6041.3	5974.5	6410.7	6858.9	7338.7	NA
Real GDP Growth/2	**%**	13.2	-8.1	19.9	10.2	12.7	-5.3	7.2	8.7	2.5	4.7	6.0	2.8	3.9
GDP/3	**Million US$**	1202.2	1119.8	1474.7	1746.0	2110.0	2149.3	2323.4	2454.9	2509.3	2785.5	3086.2	3423.3	3765.6
Agriculture	**% of GDP**	5.4	6.9	5.7	5.0	5.1	4.0	4.0	3.6	3.4	3.3	3.0	2.8	NA
Industry	**% of GDP**	11.9	13.6	11.9	11.7	16.2	13.9	14.3	16.6	17.1	15.0	16.6	19.5	NA
Services	**% of GDP**	74.3	71.5	74.8	76.3	72.3	78.7	77.8	72.2	71.9	72.0	70.2	66.4	NA
Investment	**% of GDP**	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
National Savings	**% of GDP**	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Headline Inflation/4	**%**	-1.7	1.3	2.7	6.8	12.0	4.5	6.1	11.3	10.9	3.8	2.1	1.0	0.5
Food Inflation/5	**%**	16.0	7.8	4.0	16.2	19.1	0.5	7.5	19.9	17.6	7.2	0.7	0.5	0.6
Non-Food Inflation/6	**%**	NA	NA	NA	NA	NA	NA	NA	NA	NA	1.4	2.7	1.1	0.5
Core inflation	**%**	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
II. Fiscal Sector														
Revenue Collection (CSR)/7	**Million US$**	267.6	360.4	480.8	591.5	582.5	448.0	511.5	673.3	658.7	773.3	985.3	1126.0	1181.0
Fiscal Deficit (excluding grants)	**% of GDP**	-1.5	-13.0	-8.9	-7.9	-12.0	-20.5	-14.9	-8.6	-8.6	-4.1	-3.0	-8.8	-8.2
Fiscal Deficit (including grants)	**% of GDP**	-1.0	-7.3	-4.3	-3.2	-10.1	-19.0	-14.4	-6.6	-7.7	-4.1	-2.9	-7.8	-7.4
Public Debt/8	**% of GDP**	NA	NA	NA	NA	NA	NA	65.8	62.7	64.4	59.6	65.8	63.1	66.1
- of which foreign currency(debt) /8	**% of GDP**	25.9	27.7	23.1	22.2	20.8	24.0	26.4	27.3	28.7	26.8	22.6	19.4	20.2
- domestic debt	**% of GDP**	NA	NA	NA	NA	NA	NA	39.4	35.4	35.7	32.8	43.2	43.7	45.9
- debt servicing9/	**% of total revenue**	10.8	10.5	6.4	6.5	8.8	11.7	10.1	10.8	11.5	8.0	7.9	6.7	6.7
III. External Sector/10														
Exports (f.o.b)	**Million US$**	NA	NA	NA	NA	NA	NA	NA	346.4	314.4	331.0	300.9	239.5	257.1
Imports (f.o.b.)	**Million US$**	NA	NA	NA	NA	NA	NA	NA	1716.8	1575.8	1703.0	1960.9	1894.5	2096.6
Trade Deficit/11	**Million US$**	NA	NA	NA	NA	NA	NA	NA	-1370.5	-1261.4	-1372.0	-1660.0	-1655.0	-1839.5
Remittances	**Million US$**	NA	NA	NA	NA	NA	NA	NA	239.4	259.3	265.0	300.8	347.8	378.6
Current Account Balance	**Million US$**	NA	NA	NA	NA	NA	NA	NA	-383.4	-184.5	-127.4	-117.8	-294.1	-840.0
Current Account Balance	**% of GDP**	NA	NA	NA	NA	NA	NA	NA	-15.6	-7.4	-4.6	-3.8	-8.6	-22.3
Total Foreign Investment	**Million US$**	NA	NA	NA	NA	NA	NA	NA	-416.4	-187.7	-67.4	-543.9	-491.0	-811.7
- Foreign Direct Investment	**Million US$**	NA	NA	NA	NA	NA	NA	NA	-423.5	-228.0	-360.8	-333.4	-307.7	-448.0
- Portfolio Investment	**Million US$**	NA	NA	NA	NA	NA	NA	NA	-0.1	-53.1	53.3	17.2	-122.9	5.1
External Debt and Forex Liabilities	**Million US$**	315.7	379.3	536.6	796.3	861.5	917.1	949.5	895.2	813.5	791.8	744.6	696.6	846.1
External Debt and Forex Liabilities/12	**% of forex earnings**	NA	NA	NA	NA	NA	NA	NA	36.5	32.6	27.1	22.5	22.2	27.5
Short-term debt to GDP	**%**	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
External Debt Servicing Ratio/13	*******	NA	NA	NA	NA	NA	NA	NA	2.6	2.9	2.1	2.3	2.3	2.5
Exchange Rate/14	**Per US$**	12.8	12.8	12.8	12.8	12.8	12.8	12.8	15.41	15.37	15.41	15.40	15.41	15.35
Foreign Exchange Reserves	**Million US$**	203.6	186.4	231.6	308.4	240.6	261.0	350.2	334.9	304.5	368.3	614.7	564.0	467.1
IV. Monetary & Capital Market														
Growth Rate of M1/15	y-o-y	19.7	22.5	22.2	20.0	37.1	22.3	1.1	8.7	2.9	23.6	7.5	19.1	1.0
Growth Rate of M2/16	y-o-y	31.4	10.6	18.9	24.1	21.8	14.4	14.6	20.0	4.9	18.4	14.7	12.3	0.1
Growth Rate of M3/17	y-o-y	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Weighted Avg Lending Rate/18	**%**	NA	NA	NA	NA	NA	NA	10.4	10.2	10.5	11.4	11.4	10.8	10.6
Credit growth to Private Sector	**%**	58.2	59.7	48.6	49.4	29.7	-4.1	-2.3	5.9	-9.9	0.9	3.1	11.4	10.6
Stock Market (Price Index)/19	**2002=100**	239.6	199.8	137.6	342.7	287.1	229.6	211.2	157.4	149.7	114.6	134.1	156.5	155.0
Market Capitalisation (as leading stock mkt)	**Domestic Currency in million**	1334.9	1113.3	766.8	2681.7	2246.1	1862.0	1726.1	1286.9	7743.4	5926.3	6963.0	8122.8	8048.6
Market Capitalisation (as leading stock mkt)	**% of GDP**	8.7	7.8	4.1	12.0	8.3	6.8	5.8	3.6	20.0	13.8	14.6	15.4	13.9
Market Capitalisation (as leading stock mkt)	**million US$**	104.3	87.0	59.9	209.5	175.5	145.5	134.8	83.5	503.8	384.6	452.1	527.1	524.3
V. Banking Sector Indicators														
(information provided are annual figures)														
Capital adequacy ratio	**%**		19.8	17.2	17.5	21.0	24.7	28.9	29.3	35.8	35.1	44.5	41.5	44.5
Non performing loans	**%**		6.4	2.4	1.6	8.9	12.7	17.2	19.4	21.0	17.7	17.4	13.6	10.6
Profitability (R.O.E.)	**%**		37.0	53.5	30.8	19.0	13.8	11.7	15.0	13.8	23.5	20.3	17.2	20.5
Profitability (R.O.A.)	**%**		4.5	6.4	4.1	3.1	2.2	2.0	2.6	2.6	5.0	4.6	3.8	4.8

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

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

Footnotes

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

2 - Real GDP at market prices.

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

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

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

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

7 - Revenue collection (CSR) is the total revenue including grants. The exchange rate (MVR/USD) used applied from 2004-2010 is 12.80; to 2011 is 14.71; 2012-2014 is 15.39; 2015-2016 is 15.37.

These are the average of the monthly reference rates (mid-rate of the buying and selling rates) for the year.

8 - This represents central government debt only.

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

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

11 - Indicates balance of goods only

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

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

14 - End of period reference rate.

15 - This refers to the narrow money.

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

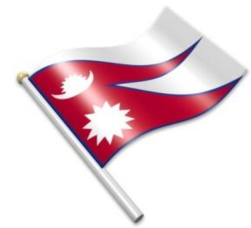
17 - M3 is not calculated in Maldives.

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

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

20 - NA refers to not available.

Nepal



Recent Overall Macroeconomic Developments

Real Sector

Nepalese economy is expected to grow by 6.5 percent in 2016/17 compared to a growth of 0.8 percent in the previous year. Such a growth is supported by a good monsoon, relatively stable environment, accommodative monetary policy, and improvement in electricity supply.

***P*rice Situation**

The rate of consumer price inflation has moderated to 3.2 percent in mid-January 2017 compared to peak of 12.1 percent in mid-January 2016. The data from the initial six months of the current fiscal year shows that food inflation has declined to 0.7 percent and the non-food inflation also moderated to 6.2 percent in mid-January 2017 from 15.2 percent and 9.7 percent respectively in the corresponding period of the previous year. The y-o-y consumer price inflation is continuously decelerating in recent months due to good monsoon, improved supply situation and deceleration of inflation in India.

The y-o-y wholesale price inflation (WPI) dropped to 1.8 percent in the review period from 7.6 percent a year ago. The wholesale price indices of agricultural commodities and domestic manufactured commodities rose by 2.0 percent and 4.8 percent respectively whereas such an index of imported commodities decreased by 0.8 percent in the review period. In the same period last year, the WPI of agricultural commodities and domestic manufactured commodities had increased by 12.2 percent and 6.4 percent respectively, but the WPI of imported commodities had declined by 1.3 percent.

Monetary Situation

In the first six months of the fiscal year 2016/17, broad money supply (M2) increased by 8.1 percent compared to a rise of 9 percent in the corresponding period of previous year. On y-o-y basis, in mid-January 2017, M2 expanded by 18.5 percent.

Net foreign assets (after adjusting foreign exchange valuation gain/loss) increased by NPR 45.02 billion in the review period compared to an increase of NPR 139.75 billion in the corresponding period of the previous year. On y-o-y basis, the reserve money increased by 5.4 percent in mid-January 2017.

In the first six months of 2016/17, deposits in the banks and financial institutions (BFIs) increased by 7.2 percent compared to growth of 6 percent in the corresponding period of the previous year. Deposits at commercial banks and development banks increased by 8.4 percent and 0.2 percent, but deposits at finance companies declined by 10.7 percent in the review period. On y-o-y basis, the deposits in BFIs increased by 20.8 percent in mid-January 2017. Of the total deposits at BFIs, the share of demand deposits, saving deposits and fixed deposits remained at 8.2 percent, 42.1 percent and 32.7 percent respectively in mid-January 2017 compared to 8.6 percent, 43.8 percent and 29.2 percent respectively a year ago.

Similarly, the overall credit disbursement of BFIs increased by 12.9 percent in the review period compared to an increase of 5.8 percent in the corresponding period of the previous year. On y-o-y basis, the credit disbursement from BFIs expanded by 32 percent in mid-January 2017.

In the first six months of 2016/17, the NRB injected liquidity of NPR 15.40 billion through repo auction. Likewise, BFIs used NPR 13.98 billion standing liquidity facility (SLF) in the review period.

In the review period, the NRB injected net liquidity of NPR 219.35 billion through the net purchase of USD 2.04 billion from foreign exchange market. At the same period, NRB purchased Indian currency of INR133.1 billion by selling 1.98 billion USD.

In the first six months of 2016/17, the NRB mopped up NPR 101.10 billion through open market operations. In the corresponding period of the previous year, total of NPR 304.85 billion was mopped up.

Interest Rate Structure

Both weighted average 91-day Treasury bill rate and inter-bank transaction rates among commercial banks have increased in the six months of 2016/17 compared to the last year. The weighted average 91-days Treasury bill rate increased to 1.74 percent in the review month from 0.68 percent a year ago. Likewise, in the review month, the weighted average inter-bank transaction rate among commercial banks went up to 2.71 percent from 0.26 percent and that of other financial institutions went up to 5.53 percent from 1.21 percent a year ago.

Fiscal Situation

Government of Nepal's (GoN) budget on cash basis remained at a surplus of NPR80.37 billion in the first six months of 2016/17 compared to a surplus of NPR 28.93 billion in the corresponding period of the previous fiscal year.

In the review period, the government revenue collection increased by 68.9 percent to NPR 277.57 billion and government recurrent expenditure increased by 55.9 percent to NPR 196.47 billion compared to drop of 13.7 percent and increment of 8.5 percent respectively in the corresponding period a year ago. Similarly, the government capital expenditure also increased by 127.2 percent to NPR 30.57 billion during the review period in contrast to the decline of 1.5 percent in the same period of previous year.

External Sector Situation

In the first six months of 2016/17, merchandise exports increased by 14.8 percent to NPR 36.27 billion in contrast to a drop of 27.2 percent in the corresponding period of the last year. Similarly, the merchandise imports increased by 67.3 percent to NPR 464.61 billion in the review period compared to a drop of 25.7 percent in the same period of the previous year.

In the review period, the total trade deficit widened by 74 percent to NPR 428.33 billion compared to a contraction of 25.5 percent in the same period of the previous year.

Workers' remittances increased by 5.7 percent to NPR 342.23 billion compared to an increase of 17.3 percent in the same period of the previous year. This contributed to an increase of net transfer receipt by 5.6 percent to NPR 399.98 billion in the review period compared to an increase by 20.5 percent in the same period of the previous year. The accumulation of gross foreign exchange reserves amounted to NPR 1088.85 billion at mid-January 2017, a rise of 4.8 percent from NPR 1039.21 billion in mid-July, 2016. NRB holds 85.3 percent of total foreign exchange reserves. The foreign exchange holding of the banking sector is sufficient to cover prospective merchandise imports of 14.3 months and merchandise and services imports of 12.4 months.

In the first six months of 2016/17, the current account slipped into deficit by NPR1.08 billion compared to significant surplus of NPR 157.52 billion in the corresponding period of previous year. The deficit was mainly due to a sharp increase in imports. However, the overall BOP recorded a surplus of NPR 45.02 billion in the review period compared to a surplus of NPR 139.75 billion in the same period of the previous year.

The capital transfer and foreign direct investment (FDI) in the review period amounted to NPR 7.93 billion and NPR 7.39 billion respectively compared to NPR 7.41 billion and NPR 1.93 billion respectively in the same period last year.

Highlights of Major Policy Announcement

The Monetary Policy for the fiscal year 2016/17 was announced in the backdrop of low growth rate, high-inflation and substantial increase in share and real estate transactions. The Monetary Policy for FY 2016/17 was aimed at increasing credit flow towards the productive sectors such as agriculture, energy, tourism, small and cottage industries as well as to the poor. The review period (mid-July 2016 to mid Jan, 2017) witnessed the continuation of the main policy stances in terms of cash reserve ratios (CRR) of BFIs, concessional loan to earthquake victims, productive sector lending, and enhanced financial access, among others. This year’s Monetary Policy introduced interest rate corridor for monetary management for the first time in Nepal.

Taking into account the credit crunch faced by the banking industry in the latter half of the review period, Nepal Rastra Bank (NRB) revised the existing provision of calculating Credit to Capital and Deposit (CCD) ratio. As per the new provision, BFIs can deduct 50 per cent of their total exposure to the productive sector in CCD calculation until the end of current fiscal year.

This provision is believed to motivate banks to disburse loans to the productive sector because those banks having larger productive sector loan portfolio will better enjoy the facility extended by the central bank. In view of the resource crunch, NRB has also extended the time period of import loans by 30 days to 150 days.

In a move aiming to reduce the flow of credit towards the unproductive sector, NRB applied control measures in auto loans and personal overdrafts. The maximum threshold for personal overdraft has been decreased by 25 percent to NPR 7.5 millions and BFIs are not allowed to extend auto loans more than 50 percent of the value of the vehicle. Further, to make interest rates on call deposits more transparent and realistic, NRB introduced a provision that the interest on call deposits cannot be greater than the interest on savings accounts.

Under the recent amendment of Banking Offence and Punishment Act, 2064 submission of more than one financial statement by the borrower shall be considered as an offence. Such loans shall be categorized as bad loan and loan recovery process shall be initiated immediately. Likewise, the existing NRB Act 2002 has been amended for the second time in 2016, revising objectives of NRB and providing more proactive roles for resolving problematic financial institutions.

Further, to discourage multiple banking, NRB has mandated that those availing credit worth Rs one billion and above from multiple financial institutions have to convert such loans to consortium financing. If BFIs fail to do so, such credit will be categorized under 'watch list' in the last quarter and concerned BFIs will have to allocate five percent of the total loan amount under loan loss provisioning. Moreover, the deadline for the commercial banks to directly extend at least 2 percent of the total loan to the deprived sector has been extended by one year to mid-July, 2018. As the deadline to meet the minimum paid up capital requirement is approaching, the number of BFIs opting for merger and acquisition has increased substantially.

KEY ECONOMIC INDICATORS: NEPAL

Indicator	Unit	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16^{P}	2016-17 ¤
I. Real Sector														
Per Capita GDP	US$	328	350	410	491	497	610	714	702	708	725	762	752	NA
Real GDP Growth (at producers price)	%	3.5	3.4	3.4	6.1	4.5	4.8	3.4	4.8	4.1	6	2.73	0.56	NA
GDP (Market Price)	Billion US$	8.3	9.0	10.3	12.5	12.9	16.0	18.9	18.9	19.2	20	21.31	21.15	NA
Agriculture	% of GDP	35.2	33.6	32.5	31.7	33.0	35.4	37.1	35.2	33.9	32.6	31.8	31.7	NA
Industry	% of GDP	17.1	16.7	16.6	16.8	15.9	15.1	14.9	15.0	15.2	14.9	14.9	14	NA
Services	% of GDP	47.7	49.7	50.9	51.5	51.2	49.5	48.0	49.8	51.0	51.5	53.3	54.3	NA
Investment	% of GDP	26.5	26.9	28.7	30.3	31.7	38.3	38.0	34.5	37.0	41	39	34	NA
National Savings	% of GDP	28.4	29.0	28.6	33.2	35.9	35.9	37.0	39.5	40.7	45.7	43.9	42.9	NA
Headline Inflation	%	4.5	8.0	6.4	7.7	13.2	9.6	9.6	8.3	9.9	9.1	7.2	9.9	3.2
- Food Inflation	%	4.0	7.8	7.2	10.1	16.7	15.1	14.7	7.7	9.6	11.6	9.6	10.9	-0.7
- Non-Food Inflation	%	5.1	8.1	5.5	5.1	9.5	4.9	5.4	9.0	10.0	6.8	5.2	9.2	6.2
- Core inflation	%	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
II. Fiscal Sector														
Revenue Collection	Billion US$	0.98	1.00	1.25	1.66	1.87	2.40	2.75	3.03	3.40	3.63	4.08	4.54	2.55
Fiscal Deficit (excluding grants)	% of GDP	-5.5	-5.9	-6.3	-6.59	-7.71	-6.69	-6.99	-6.19	-3.28	-2.58	-3.53	-3.44	NA
Fiscal Deficit (including grants)	% of GDP	-3.1	-3.8	-4.1	-4.10	-5.04	-3.45	-3.63	-1.50	-1.84	-0.71	-2.20	-1.7	NA
Public Debt*	% of GDP	53.3	51.6	45.7	46.10	40.80	33.90	32.50	34.30	32.20	28.20	25.7	27	NA
- of which foreign currency	% of GDP	37.3	35.8	29.8	30.60	27.90	21.50	19.00	20.20	19.70	17.70	16.20	16.7	NA
- domestic debt#	% of GDP	16.1	15.9	15.9	15.40	15.00	12.40	13.50	14.00	12.50	10.50	9.5	10.30	NA
- debt servicing^	% of total revenue	28.2	28.3	26.1	21.15	18.81	15.96	15.10	14.45	16.51	15.12	18.16	17.88	NA
III. External Sector														
Exports (f.o.b)	Billion US$	0.83	0.85	0.89	0.95	0.90	0.85	0.95	1.00	0.98	1.03	0.99	0.7	0.37
Imports (f.o.b.)	Billion US$	2.02	2.37	2.66	3.35	3.63	4.95	5.37	5.61	6.22	7.09	7.66	7.11	4.2
Trade Deficit	Billion US$	-1.19	-1.52	-1.77	-2.40	-2.72	-4.09	-4.42	-4.60	-5.25	-6.33	-6.93	-6.61	-3.94
Remittances	Billion US$	0.91	1.35	1.42	2.19	2.73	3.13	3.51	4.41	4.93	5.53	6.2	6.25	3.14
Current Account Balance	Billion US$	0.16	0.20	0.05	0.36	5.39	-0.37	-0.18	0.91	0.63	0.91	1.09	1.32	-0.01
Current Account Balance	% of GDP	1.91	2.27	0.45	3.02	4.19	-2.36	-0.94	4.50	3.40	4.57	5.11	6.24	NA
Total Foreign Investment	Million US$	1.89	-6.49	5.14	4.52	23.79	38.99	89.96	112.46	102.00	32.50	44.1	55.7	67.93
- Foreign Direct Investment	Million US$	1.89	-6.49	5.14	4.52	23.79	38.99	89.96	112.46	102.00	32.50	44.1	55.7	67.99
- Portfolio Investment	Million US$	-	-	-	-	-	-	-	-	-	-	-	-	-
External Debt and Forex Liabilities	Billion US$	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
External Debt and Forex Liabilities	% of forex earnings	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Short-term debt to GDP	%	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
External Debt Servicing Ratio		NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Exchange Rate@	Per US$	70.35	74.1	64.85	68.5	78.05	74.44	70.95	88.6	95	96.2	101.44	107.03	108.84
Foreign Exchange Reserves	Billion US$	1.85	2.23	2.55	2.64	3.67	3.61	3.83	4.96	5.61	6.94	8.15	9.74	10.00
IV. Monetary & Capital Market														
Monetary **														
Growth Rate of M_1	y-o-y	6.6	14.2	12.2	21.6	27.3	11.1	4.8	18.6	14.4	17.7	19.7	18.5	6.4
Growth Rate of M_2	y-o-y	8.3	15.6	14.0	25.2	27.3	16.7	12.2	22.7	16.4	19.1	19.9	19.5	18.5
Growth Rate of M_3	y-o-y	7.9	15.7	13.9	25.0	29.4	15.3	11.6	22.3	16.7	18.4	19.8	19.4	17.6
Weighted Avg Lending Rate	%	NA	NA	NA	NA	NA	NA	NA	12.4	12.1	10.55	9.62	8.86	9.31
Credit growth to Private Sector		14.2	14.4	12.3	24.3	29.0	17.9	13.9	11.3	20.2	18.7	19.8	23.7	32
Capital Market														
Stock Market (Price Index)		286.7	386.8	683.9	963.4	749.1	477.7	362.9	389.7	518.3	1036.1	961.2	1718.2	1479.9
Market Capitalization (as leading stock mkt)	Domestic Currency in	61.4	96.8	186.3	366.2	512.9	376.9	323.5	368.3	514.5	1057.2	989.4	1890.13	NA
Market Capitalization (as leading stock mkt)	% of GDP	10.4	14.8	25.6	44.9	51.9	31.6	23.7	24.1	30.4	54.4	46.6	84	NA
Market Capitalization (as leading stock mkt)	Billion US$	0.856	1.344	2.654	5.658	6.698	5.077	4.489	4.563	5.869	10.793	9.939	16.05	NA
V. Banking Sector Indicators														
Capital adequacy ratio	%	NA	NA	NA	NA	7.2	9.6	10.6	11.5	13.2	11.3	12.92	11.52	13.38
Non performing loans	%	NA	NA	NA	NA	3.6	2.5	3.2	2.6	2.6	3.8	3.33	2.19	2.13
Profitability (R.O.E.)	%	NA	NA	NA	NA	NA	NA	NA	11.4	13.2	20.1	22.8	23.7	11.60
Profitability (R.O.A.)	%	NA	NA	NA	NA	NA	NA	NA	1.2	1.4	1.6	1.7	1.9	0.97

1 Fiscal year in Nepal starts at mid - July

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

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

4 Foot Notes:

* = Includes both gross domestic and external borrowing

= Gross domestic debt .

^ = Includes both domestc and external debt servicing.

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

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

P= Provisional Figures

¤=Mid-Jan 2017

PAKISTAN

RECENT OVERALL MACROECONOMIC DEVELOPMENTS

The overall economic environment continues to remain conducive for growth. An accommodative monetary policy stance; increase in development spending; substantial growth in private sector credit, especially for fixed investment; and ongoing CPEC-inspired activity in power sector and infrastructure, are providing the needed support. These factors have also led to an improvement in the investors' confidence, which is particularly reflected in capacity expansion plans by a number of industries and acquisition of domestic companies by foreign investors[4]. Meanwhile, recent pick up in the large-scale manufacturing (LSM) growth, improving energy supplies, [5] and an increase in value-added textile exports during Sep-Dec 2016 further add to the optimism[6]. Moreover, agriculture growth is also likely to rebound as indicated by an increase in the production of major crops over the last year.

In addition to favorable spillover from commodity producing sectors, the current trends in key variables– like rising sale of commercial vehicles, oil consumption by the transport sector, internet subscription, external trade volume, etc. – reflect positively on the performance of the services sector. These developments suggest that the economy is maintaining its growth momentum.

In this backdrop of increased domestic supplies, ongoing expansion in economy's future capacity to produce, and muted impact of uptick in international commodity prices, inflation remained lower than the target. The low inflation also shows the impact of sustained decrease in fiscal deficit and stability in external sector over the last few years. However, these have started to show signs of strains recently.

Specifically, the current account deficit during Jul-Dec 2016 was almost twice the level recorded in the first the same period last year. This was largely due to delayed external flows, a decline in the exports, and a surge in the imports. From the external sector stability standpoint, such increase in the current account deficit does not bode well, particularly in view of bottoming out of global commodity prices (especially oil prices) along with some shifts in the international capital markets due to rise in the US interest rates.

[4] Several industries, including cement, steel, beverages, and automobiles, have announced capacity expansion plans; some of these are already underway. Moreover, in November 2016, a Turkish company acquired Pakistani home appliance firm DAWLANCE, and a Dutch food conglomerate completed its purchase of a majority stake in ENGRO Food in December 2016. More foreign investment is in the pipeline, particularly in construction-allied, automobile and food industries.

[5] Two new power projects came online in December 2016 and February 2017, adding a cumulative 433 MW to the grid. Furthermore, a 1,320 MW coal power plant at Sahiwal has started trial operations, and the Chashma Nuclear Power Plant Unit-4 is expected to start its operation soon as well. In addition, overall gas supplies have also improved, enabled by an increase in LNG imports during H1-FY17

[6] After falling for last seven quarters consecutively, textile exports grew by 3.2 percent in this quarter.

However, two points are important to consider about the external sector. First, the surge in imports is mainly concentrated in the growth-inducing capital goods: the import of machinery, fuel and metal groups accounted for more than half of the total imports during (Jul-Dec)[7]. When the economy is taking off, it is natural to expect some widening in the current account deficit. Nevertheless, it needs to be contained within sustainable levels. Second, the external inflows in the country have been sufficient to finance the current account deficit so far. More importantly, the current level of SBP's foreign exchange reserves can comfortably finance more than five months of imports.

On the fiscal side, coupled with increase in development spending and security related expenditures, the decline in revenue collection has led the fiscal deficit to widen by 0.7 percent of GDP during Jul-Dec 2016 as compared to the last year. Going forward, lower-than-expected growth in tax revenues could undermine the government's efforts to keep the fiscal deficit at the targeted level and at the same time increase the development spending.

The challenges in the external and fiscal accounts need to be addressed to sustain macroeconomic stability, which has just started to push the economy towards a desirable (low inflation-high growth) balance. In addition to boosting foreign exchange receipts from reviving exports and private foreign investment, urgent measures are needed to contain imports, especially of consumer and luxury items – to keep the overall import bill manageable. A combination of improved competitiveness and administrative measures would produce desirable results in this regard. In particular, there is a need to further reduce cost of doing business, enhance productivity, and remove structural impediments in the export sector.

Similarly, the structural reforms and stabilization measures undertaken by the Government to reduce the fiscal deficit during the last three years need to be further deepened. In particular, the continuity of concerted efforts aimed at broadening the tax base is necessary to gear up momentum in revenue collection and create the fiscal space required for higher spending on social and infrastructural development.

[7] Within the machinery group, power generation machinery increased by 112.6 percent; textile machinery by 11.3 percent; construction and mining machinery by 54.8 percent; electrical machinery 7.5 percent; and, others by 29.4 percent.

HIGHLIGHTS OF MAJOR POLICY ANNOUNCEMENT

Decision	Key Highlights
July 30, 2016 Monetary Policy Committee decided to maintain the policy rate at 5.75 percent.	• Pakistan economy posted notable improvements in FY16 as real GDP growth touched an 8-year high of 4.7 percent. • Average annual CPI inflation declined to a 47 year low of 2.9 percent • Foreign exchange reserves held by SBP recorded steady increases and while covering four months of imports stood at USD18.1 billion by end-June 2016. • Private sector credit posted a considerable surge with accelerating loans for fixed investment and working capital. • Growth in broad money was contained as the government borrowing remained lower. • Although increased demand for currency and at times government borrowing from commercial banks kept the money market under pressure, effective injections to keep the market sufficiently liquid by SBP has helped in a better transmission of monetary policy.
September 24, 2016 Monetary Policy Committee decided to maintain the policy rate at 5.75 percent.	• Inflation started increasing again due to pick up in domestic demand and uncertain global commodity prices. • Monetary Aggregates (M2) growth also increased. • Liquidity conditions in the money market remained broadly comfortable mainly due to retirement of government borrowing to the scheduled banks. • With stable money market rates, weighted average lending rates dropped to 12 year low for working capital and also for fixed investment.

November 26, 2016 Monetary Policy Committee decided to maintain the policy rate at 5.75 percent.	• Inflation surging further explained by higher commodity prices, phasing out of second-round impact of oil prices, and some uptick in domestic demand. • A healthy growth in private sector credit for fixed investment. • Consumer confidence survey reflects improvement in current and expected economic conditions along with a moderate rise in consumer confidence and inflation expectations. • Net retirement of government borrowings from scheduled banks resulted in relatively easy liquidity conditions in the money market. • Bank Deposits increased and the growth in currency in circulation receded back to its past levels after rising exceptionally high in recent past. • Foreign exchange reserves improved with continues official flows and improved sovereign rating.

KEY ECONOMIC INDICATORS: PAKISTAN

	Unit	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17[1]
Real Sector											
Per Capita GDP	US$	1053.18	1026.07	1072.40	1274.02	1321.00	1333.70	1388.78	1514.00	1531.00	1629.00
Real GDP Growth	%	4.99	0.36	2.58	3.62	3.84	3.68	4.05	4.06	4.51	5.28
Nominal GDP (MP)	Billion US$	169.85	167.89	177.25	213.63	224.60	231.13	244.61	270.50	278.84	304.04
Agriculture	% of GDP	22.50	22.72	23.28	25.13	23.71	23.83	23.74	23.82	23.23	23.13
Industry	% of GDP	21.74	19.19	19.72	20.50	21.30	20.22	20.03	19.09	18.25	17.89
Services	% of GDP	53.11	53.11	52.84	50.93	51.57	52.01	51.70	52.16	52.78	52.81
Investment	% of GDP	22.10	18.20	15.60	13.10	14.90	14.6	14.6	15.70	15.6	15.80
National Savings	% of GDP	13.60	12.50	13.10	13.20	12.80	13.50	13.4	14.70	14.3	13.10
Headline Inflation (yoy)	%	12.00	17.03	10.10	13.66	11.00	7.40	8.60	4.50	2.86	4.00
- Food Inflation (yoy)	%	17.60	23.11	12.90	18.00	11.00	7.10	9.00	3.50	2.08	3.80
- Non-Food Inflation (yoy)	%	7.90	13.37	8.20	10.70	11.00	7.50	8.30	5.30	3.41	4.20
- Core inflation (yoy)	%	8.40	11.42	7.60	9.42	10.58	9.60	8.33	6.54	4.17	5.10
Fiscal Sector											
Revenue Collection	Billion US$	23.9	23.5	24.8	26.3	28.8	30.8	35.4	38.7	42.6	30.0
Fiscal Deficit	% of GDP	7.3	5.2	6.2	6.5	6.8	8.2	5.5	5.3	4.6	4.3
Public Debt	% of GDP	60.7	58.6	60.6	58.9	63.3	63.8	63.5	63.3	67.6	65.5
- of which foreign currency	% of GDP	29.7	32.3	35.4	31.2	30.9	27.0	25.6	24.1	25.8	24.9
- domestic debt	% of GDP	31.9	29.2	31.3	32.9	38.1	42.5	43.3	44.4	46.8	46.3
Public Debt Servicing	% of T. Rev	37.2	42.8	39.0	34.3	39.5	37.6	35.9	36.6	33.1	5.7
External Sector											
Exports (f.o.b)	Billion US$	19.10	17.70	19.30	24.80	24.70	24.80	25.10	24.10	22.00	16.10
Imports (c.i.f)	Billion US$	40.00	34.80	34.70	40.40	40.40	40.20	41.70	41.30	40.50	33.90
Trade Balance	Billion US$	-20.90	-17.10	-15.40	-15.60	-15.70	-15.40	-16.60	-17.20	-18.50	-17.70
Remittances	Billion US$	6.50	7.80	8.90	11.20	13.20	13.90	15.80	18.70	19.90	14.10
Current Account Balance	Billion US$	-13.90	-9.30	-3.90	0.20	-4.70	-2.50	-3.10	-2.70	-3.40	-6.10
Current Account Balance	% of GDP	-9.00	-6.00	-2.00	0.00	-2.10	-1.10	-1.30	-1.00	-1.20	-2.50
Total Foreign Investment	Million US$	5447.00	2688.00	2087.00	1980.00	709.00	1581.00	4439.00	2766.00	1575.00	2232.00
- FDI	Million US$	5410.00	3720.00	2151.00	1635.00	821.00	1456.00	1700.00	923.00	1904.00	1601.00
- Portfolio Investment	Million US$	37.00	-1032.00	-64.00	345.00	-112.00	125.00	2739.00	1843.00	-329.00	631.00
External Debt and Liabilities	Billion US$	46.20	52.30	61.60	66.40	65.50	60.90	65.30	65.10	73.10	74.10
EDL/FEE	Percent	124.06	147.99	161.55	139.41	135.78	121.32	127.66	123.02	141.77	199.45
Short-term	% of GDP	0.00	0.43	0.49	0.30	0.18	0.12	0.29	0.37	0.60	0.36

external debt											
External Debt Servicing	% of GDP	8.66	13.51	12.28	8.43	9.47	13.03	13.78	10.30	10.42	13.31
Exchange Rate (average)	Per US$	62.63	78.62	83.88	85.55	89.25	96.85	102.89	101.45	104.37	104.80
Foreign Ex. Reserves	Billion US$	11.60	12.80	16.70	18.20	15.30	11.00	14.10	18.70	23.10	21.60
Monetary & Capital Market											
Growth Rate of M_1	y-o-y	4.60	9.80	14.10	17.50	13.90	20.74	15.20	15.20	16.20	6.78
Growth Rate of M_2	y-o-y	11.90	9.50	13.00	16.70	13.40	16.61	12.82	12.73	14.70	5.53
Growth Rate of M_3	y-o-y	10.90	12.50	13.70	16.30	12.70	17.09	12.20	12.71	13.22	5.48
Weighted Avg Lending Rate	%	12.75	14.32	13.22	14.25	13.13	10.56	10.37	8.24	7.15	7.00
Credit growth to Private Sector	%	16.50	0.70	3.90	4.00	7.50	-0.20	12.20	5.90	11.15	9.86
Stock Market (Price Index)	1991=1000	12289.03	7162.18	9721.91	12496.03	13801.41	21005.69	29652.53	34398.86	37783.54	48155.93
Market Capitalization	PKR Billion	3777.70	2120.65	2732.37	3288.66	3518.10	5154.74	7022.69	7421.03	7588.47	9594.81
Market Capitalization	% of GDP	35.51	16.07	18.38	17.99	17.55	23.03	27.90	27.04	26.07	30.11
Market Capitalization	Billion US$	60.32	26.97	32.58	38.44	39.42	53.22	68.25	73.15	72.71	91.56
Banking Sector Indicators											
Capital adequacy ratio (CAR)	%	12.2	13.5	13.9	14.1	15.1	15.5	15.1	17.2	16.1	16.2
Non-performing loans	%	10.5	11.5	12.9	15.3	15.9	14.8	12.8	12.4	11.1	10.1
Before Tax Profitability(R.O.E.)	%	11.4	16	17.7	21.8	25.9	18.5	23.5	27.5	24.9	23.8
Before Tax Profitability (R.O.A.)	%	1.2	1.7	1.8	2.1	2.4	1.7	2.1	2.7	2.2	2.1

[1]: Jul-Mar P= Provisional; T= target; $ Fiscal deficit includes PSEs debt adjustment; GDP in dollar terms is calculated

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).

Source: Pakistan Bureau of Statistics; State Bank of Pakistan, Ministry of Finance.

SRI LANKA

RECENT OVERALL MACROECONOMIC DEVELOPMENTS

Following a period of uncertainty, the Sri Lankan economy showed early signs of stabilisation during the year 2016 in response to corrective actions adopted by the government and the Central Bank. Unfavourable weather conditions and sluggish global economic recovery caused the economy to grow at a slower rate of 4.4 per cent in 2016 in real terms, in comparison to 4.8 per cent in the previous year, although a steady acceleration in quarterly growth was observed from the second quarter of the year amidst tightened fiscal and monetary policies. Increased investment expenditure, especially in the construction sector, drove economic growth during the year, while consumption expenditure slowed in response to the policy environment in place.

Inflation, which remained low in the first four months of the year, increased thereafter to record an annual average of 4.0 per cent in 2016 (both National Consumer Price Index (NCPI, 2013=100) and Colombo Consumer Price Index (CCPI, 2013=100) based). The high levels of inflation observed during some months in 2016 as well as in the first quarter of 2017 were mainly due to the adverse impact of weather related disruptions, tax adjustments and rising international commodity prices, but the increasing demand pressures of the economy were evident in core inflation remaining at elevated levels.

Movements in external sector balances reflected the continued domestic demand for imports from certain sectors of the economy, weak external demand for the limited basket of domestic products, persistent failure of the country to attract increased direct investment flows as well as the impact of rising global interest rates particularly on the government securities market. These developments resulted in the balance of payments (BOP) recording a deficit for the second consecutive year in spite of improvements in earnings from tourism and other service exports as well as workers' remittances. The Central Bank's heavy intervention in the foreign exchange market continued in the first four months of the year resulting in a broadly stable exchange rate during this period. However, the exchange rate was increasingly allowed to reflect market conditions thereafter by limiting Central Bank intervention to dampen the pressure on the exchange rate arising from outflows of foreign investments from the government securities market.

The increase in government revenue stemming from the broadened tax base, structural reforms in tax administration and the rationalisation of government expenditure, in tandem with the government's commitment to strengthen the fiscal consolidation process contributed to the overall improvement of the fiscal sector during 2016. The improvements in fiscal operations, achieved under the government's revenue based fiscal consolidation process, helped contain the overall budget deficit at the targeted level of 5.4 per cent of GDP in 2016 in comparison to the deficit of 7.6 per cent in the previous year.

The financial sector, in the meantime, continued to expand during the year whilst exhibiting resilience amidst challenging market conditions both globally and domestically. Meanwhile, fiscal operations registered a notable improvement in both revenue and expenditure fronts, resulting in the containment of the overall budget deficit at the envisaged level of 5.4 per cent of Gross Domestic Product (GDP). In spite of these achievements, central government debt as a percentage of GDP increased, illustrating the narrowing fiscal manoeuvrability within the overall macroeconomic policy framework and highlighting the necessity of continued efforts to sustain the fiscal consolidation process.

HIGHLIGHTS OF MAJOR POLICY ANNOUNCEMENT

Considering the possible rise in demand driven inflationary pressures, the Central Bank continued to tighten monetary policy and monetary conditions throughout the year. Accordingly, in addition to increasing the Statutory Reserve Ratio (SRR) applicable on rupee deposit liabilities of licensed commercial banks (LCBs) in December 2015 to be effective from January 2016 and the continued application of the loan-to-value (LTV) ratio as a selective macro-prudential demand management tool, the Central Bank raised its key policy interest rates by a total of 100 basis points in two steps during 2016, the first in February 2016 and the second in July 2016. Open market operations of the Central Bank also guided the short term market interest rates to move to the upper bound of the policy interest rate corridor, resulting in a considerable increase in the market interest rate structure.

In response to tightened monetary conditions, the acceleration of broad money growth subsided while the growth of credit extended to the private sector by LCBs that peaked at 28.5 per cent in July 2016, on a year-on-year basis, also decelerated to 21.9 per cent by end 2016. However, the deceleration of monetary and credit expansion was below expectations, and the Central Bank again adjusted its policy interest rates upwards by 25 basis points in March 2017 with the view of signaling to the market the intent of the Central Bank in maintaining inflation in mid single digits in the medium term, within its increasingly forward looking monetary policy framework in which the management of inflation expectations plays a vital role.

The regulatory agencies including the Central Bank, initiated several measures to strengthen the supervisory and regulatory framework for financial institutions with a view to further enhancing their safety and soundness, thereby promoting public confidence in the financial sector. The Central Bank further increased the capital requirements for licensed banks under Basel III to be effective from July 2017. All licensed banks were requested to disclose key information on regulatory capital, liquidity and risk management with published financial statements, while greater disclosure of fees charged for fund transfers were also requested. All licensed banks were also requested to submit reports on cyber security events to the Central Bank with a view to addressing risks emanating in relation to cyber security.

Further, measures were taken to promote the secondary market for government securities among the banking sector by enhancing transparency and price discovery. With regard to the LFC/ SLC sector, the Central Bank continued to take prudential measures keeping in line with improved local and international standards and procedures, while taking regulatory measures to resolve the concerns with respect to weak finance companies with a view to maintaining financial system stability. Meanwhile, a regulatory framework for microfinance companies was introduced by the Central Bank during 2016 in terms of the powers vested under the newly enacted Microfinance Act, No. 6 of 2016, which is intended for licensing, regulating and supervising unregulated microfinance companies and Microfinance Non Governmental Organizations (MNGOs). In the insurance sector, the Insurance Board of Sri Lanka (IBSL) took several regulatory measures in 2016 with a view to safeguarding the interests of policyholders while promoting the professionalism and reputation of the industry.

KEY ECONOMIC INDICATORS: SRI LANKA

	Unit	2010	2011	2012	2013	2014	2015	2016
I. Real Sector								
Per Capita GDP (a) (b)	US$	2,744	3,125	3,351	3,609	3,821 (c)	3,843 (c)(d)	3,835 (d)
Real GDP Growth (a)	%	8.0 (e)	8.4	9.1	3.4	5.0 (c)	4.8 (c)(d)	4.4 (d)
GDP (MP) (a)	Billion US$	56.7	65.3	68.4	74.3	79.4 (c)	80.6 (c)(d)	81.3 (d)
Agriculture (a)	% of GDP	8.5	8.2	7.8	7.8	7.8 (c)	7.8 (c)(d)	7.1 (d)
Industry (a)	% of GDP	26.6	26.9	26.8	27.0	26.9 (c)	26.2 (c)(d)	26.8 (d)
Services (a)	% of GDP	54.6	54.9	55.9	56.2	56.1 (c)	56.6 (c)(d)	56.5 (d)
Taxes less Subsidies on products (a)	% of GDP	10.2	10.0	9.4	9.0	9.2 (c)	9.4 (c)(d)	9.6 (d)
Investment (a)	% of GDP	30.4	33.4	39.1	33.2	32.3 (c)	28.4 (c)(d)	31.5 (d)
National Savings (a)	% of GDP	28.5	26.3	33.3	29.9	29.8 (c)	26.0 (c)(d)	28.9 (d)
Headline Inflation (f)	%	6.2	6.7	7.6	6.9	3.3	0.9	-
- Food Inflation	%	6.9	8.8	4.7	7.9	3.8	4.9	-
- Non-Food Inflation	%	5.6	5.0	10.0	6.1	2.8	-2.5	-
- Core inflation	%	7.0	6.9	5.8	4.4	3.5	3.1	-
Headline Inflation (g)	%	-	-	-	-	-	2.2	4.0
- Food Inflation	%	-	-	-	-	-	5.5	6.1
- Non-Food Inflation	%	-	-	-	-	-	1.0	3.1
- Core inflation	%	-	-	-	-	-	4.9	4.4
II. Fiscal Sector								
Revenue Collection	Billion US$	7.2	8.8	8.2	8.8	9.2	10.7	11.6
Fiscal Deficit (excluding grants) (a)	% of GDP	-7.2	-6.4	-5.8	-5.5	-5.8	-7.7	-5.5
Fiscal Deficit (including grants) (a)	% of GDP	-7	-6.2	-5.6	-5.4	-5.7	-7.6	-5.4
Public Debt (a)	% of GDP	71.6	71.1	68.7	70.8	71.3	77.6	79.3
- of which foreign debt (a)	% of GDP	31.6	32.3	31.7	30.9	30	32.4	34.2
- domestic debt (a)	% of GDP	40.0	38.8	37.0	40.0	41.3	45.3	45.1
- debt servicing	% of total revenue	100.4	92.5	96.8	102.2	90.0	90.6	80.2
III. External Sector								
Exports (f.o.b)	Billion US$	8.6	10.6	9.8	10.4	11.1	10.5	10.3
Imports (f.o.b.)	Billion US$	13.5	20.3	19.2	18.0	19.4	18.9	19.4
Trade Deficit	Billion US$	-4.8	-9.7	-9.4	-7.6	-8.3	-8.4	-9.1
Remittances	Billion US$	4.1	5.1	6.0	6.4	7.0	7.0	7.2
Earnings from Tourism	Billion US$	0.6	0.8	1.0	1.7	2.4	3.0	3.5
Current Account Balance	Billion US$	-1.1	-4.6	-4.0	-2.5	-2.0	-1.9	-1.9
Current Account Balance (a)	% of GDP	-1.9	-7.1	-5.8	-3.4	-2.5	-2.3	-2.4
Major Inflows to the Financial Account								
- Foreign Loans (net)	Billion US$	2.7	2.9	3.1	1.1	1.7	-0.8	-0.8
- Foreign Direct Investment (net)	Billion US$	0.4	0.9	0.9	0.9	0.8	-0.6	-0.7
- Portfolio Investment : Equity (net)	Billion US$	-0.2	-0.2	0.3	0.2	0.2	0.1	0.0
- Portfolio Investment : Securities (net)	Billion US$	1.5	1.2	1.3	1.8	1.9	-0.7	-1.0
- Trade Credits (net)	Billion US$	-1	-0.2	-0.7	-0.5	-0.5	0.5	-0.2
External Debt and Forex Liabilities outstanding	Billion US$	24.8	32.7	37.1	39.9	42.9	44.8	46.6
External Debt and Forex Liabilities to GDP (a)	%	37.8	50.2	54.2	53.7	53.6	55.7	57.3
Short-term debt to GDP (a)	%	10.6	11.1	9.4	9.1	9.1	9.5	9.0
External Debt Servicing Ratio	% of forex earnings	11.9	9.3	13.5	18.7	14.5	19.2	17.6
Exchange Rate (Annual Average)	Per US$	113.1	110.6	127.6	129.1	130.6	135.9	145.6
Total Foreign Assets	Billion US$	8.6	8.0	8.6	8.6	9.9	9.3	8.4
IV. Monetary & Capital Market								
Growth Rate of M_1	y-o-y	20.9	7.7	2.6	7.7	26.3	16.8	8.6
Growth Rate of M_2	y-o-y	18.0	20.9	18.3	18.0	13.1	17.2	18.9
Growth Rate of M_{2b}	y-o-y	15.8	19.1	17.6	16.7	13.4	17.8	18.4
Weighted Avg Lending Rate	%	14.8	13.4	16.0	15.2	11.9	11.0	13.2
Credit growth to Private Sector (As per M_{2b})	%	24.9	34.5	17.6	7.5	8.8	25.1	21.9
All Share Price Index (ASPI)	(1985=100)	6635.9	6074.4	5643.0	5912.8	7299.0	6894.5	6228.3
Milanka Price Index (MPI)	(1998 Dec=1000)	7061.5	5229.2	5119.1	-	-	-	-
S&P SL 20 Index	(2004 Dec=1000)	n.a.	n.a.	3085.3	3263.9	4089.1	3625.7	3496.4
Market Capitalisation (as leading stock mkt)	Domestic Currency in Billion	2210.5	2213.9	2167.6	2459.9	3104.9	2938.0	2745.4
Market Capitalisation (as leading stock mkt)	% of GDP	34.5	30.7	24.8	25.6	30.0	26.8	23.2
Market Capitalisation (as leading stock mkt)	Billion US$	19.9	19.4	17.0	18.8	23.7	20.4	18.3
V. Banking Sector Indicators								
Capital adequacy ratio	%	14.3	16	16.4	17.6	16.6	15.4	14.3
Non performing loans ratio (Net IIS)	%		3.8	3.7	5.6	4.2	3.2	2.6
Profitability (R.O.E.) (After Tax)	%	22.4	19.8	20.3	16.0	16.6	16.2	17.3
Profitability (R.O.A.) (Before Tax)	%		2.4	2.5	2.0	2.0	1.9	1.9

(a) The data is based on the base year 2010 GDP estimates of Department of Census and Statistics

(b) Estimates updated with latest population figures
(c) Revised
(d) Provisional
(e) Data is under the 2002 base year
(f) Based on CCPI (2006/07=100)
(g) Based on CCPI (2013=100)
n.a. - Not available

Highlights of Activities related to SAARCFINANCE, IGEG and SPC

1) State Bank of Pakistan Hosted 8th Meeting Of Inter-Governmental Expert Group (IGEG) On Financial Issues (July 21- 22, 2016, Islamabad)

Pakistan hosted 8th meeting of Inter-Governmental Expert Group (IGEG) on Finance Issues from July 21 – 22, 2016 at Islamabad. The meeting was attended by the representatives of Ministries of Finance and Central Banks of SAARC Member states and the representatives of SAARC Secretariat. The meeting reviewed status/progress of different major financial issues like Public Debt Management, Development of Capital Market in South Asia, SAARC-ADB Study on Regional Economic Integration (Phase-II), SAARC-ADB Study on Development of a Regional Coordinated Surveillance Mechanism (RCSM), activities of SAARCFINANCE, Project Preparation Facilities and Infrastructure Development, comparative performance of key economic indicators, etc. and gave its opinions on these issues.

2) State Bank of Pakistan Hosted 8th Meetings of SAARACFINANCE Ministers And SAARCFINANCE Secretaries (August 25 – 26, 2016, Islamabad)

Pakistan hosted 8th meeting of SAARC Finance Ministers on August 26, 2016 at Islamabad. The meeting of SAARC Finance Ministers was preceded by the 8th meeting of SAARC Finance Secretaries on August 25, 2016. The meetings were attended inter alia by the SAARC Finance Ministers, SAARC Finance Secretaries or their representatives and the representatives of Ministries of Finance of the SAARC Member States. The Prime Minister of Pakistan was the Chief Guest in the Inaugural Session of the meeting. The meeting reviewed the progress on different activities being carried out in the financial and economic sectors under SAARC umbrella and the leaders give directions for expediting the progress to make the region prosperous and strong for the betterment of the people of the region.

The Finance Ministers/Heads of Delegations *inter alia*, emphasized the need for:

- Accelerating the process towards South Asian Economic Union (SAEU) in a phased and planned manner as mentioned in the Declaration of 18th SAARC Summit.
- Strengthening regional trade through full and expeditious implementation of South Asian Free Trade Agreement (SAFTA) in order to achieve deeper integration and move towards SAEU and also to bring down tariffs, eliminate NTBs/PTBs, reduce sensitive lists for enhanced intra-regional trade under SAFTA;
- Operationalize the SAARC Agreement on Trade in Services without further delay by finalizing the schedules of specific Commitments;
- Initiate discussion on widening the scope of SAARC Agreement on Avoidance of Double Taxation and Mutual Administrative Assistance in Tax Matters.

- Emphasized the need for harmonization of customs procedures and documentations in the region to facilitate movement of goods across the borders.
- Underlined the need for improved connectivity in the region including through land, sea and air route and early signing of Motor Vehicle and Railways Agreements.
- Strengthen Social Window and operationalize Economic and Infrastructure windows of SAARC Development Fund (SDF) so that tangible benefits are visible on the ground.
- Enhanced intra-regional investments with a view to bridge the large infrastructure financing gap in the region.

Governor and the chairman of the SAARCFINANCE Dr. Indrajit Coomaraswamy presented the progress report of the SAARCFINANCE to the 8th SAARC Finance Ministers' Meeting held in Islamabad, Pakistan on 26thAugust 2016. Dr. Coomaraswamy highlighted some recent initiatives undertaken by the SAARCFINANCE Network, such as the availability of short-term liquidity for members under the SAARC Swap Arrangement; capacity building programs for officials of members under the SAARCFINANCE Scholarship Scheme; the dialogue and exchange of knowledge on issues of mutual interest through SAARCFINANCE Portal; the creation of regional statistical database, and the recent initiative on collaborative research studies. The Meeting thanked the Chairperson of SAARCFINANCE for the presentation and agreed that in view of larger objective of South Asian Economic Union, the action and plans of SAARCFINANCE be integrated into the overall economic integration discussions under the framework of SAARC.

3) Central Bank of Sri Lanka hosted the 24th SAARCFINANCE Coordinators' Meeting (September 01,2016, Colombo)

The Central Bank of Sri Lanka hosted the 24th SAARCFINANCE Coordinators' Meeting at the Central Bank premises, Colombo, on 1st September 2016. The 24th SAARCFINANCE Coordinators' Meeting was attended by SAARCFINANCE Coordinators and Focal Points from the Central Banks and Ministries of Finance in the SAARC region.

Dr. Indrajit Coomaraswamy, the Governor of Central Bank of Sri Lanka and the current Chairman of SAARCFINANCE, delivered the opening address. In his opening address, Dr. Coomaraswamy appreciated the recent initiatives undertaken by the SAARCFINANCE Network, such as the SAARCFINANCE Regional Database, SAARCFINANCE Collaborative Research Studies, the Staff Exchange Programme, and the SAARCFINANCE Swap Arrangement. He also stressed that cooperation among the Central Banks and Ministries of Finance of the region is needed to uplift the living standards of the people in the region, particularly through increased regional integration.

4) Central Bank of Sri Lanka Hosted 33rd SAARCFINANCE Group at Washington, D.C., USA

Central Bank of Sri Lanka hosted the 33rd SAARCFINANCE Group Meeting was held in Washington, D.C. on 7 October 2016 on the sidelines of the IMF-World Bank Annual Meetings. The meeting was chaired by the current Chairperson of SAARCFINANCE Dr. Indrajit Coomaraswamy, Governor, Central Bank of Sri Lanka (CBSL). The 33rd SAARCFINANCE Group Meeting was attended by the SAARC Secretary General, Governors and Finance Secretaries and other delegates from the Central Banks and Ministries of Finance in the SAARC region.

Dr. Coomaraswamy noted that the 33rd SAARCFINANCE Group Meeting gave a great opportunity for cooperation, information and knowledge sharing among the member countries in the context of an uncertain global economic environment. Further, he stated that the time is right for SAARC countries to seek ways and means of increasing regional cooperation and that SAARCFINANCE has been one of the most effective components of the SAARC institutional architecture.

5) Reserve Bank of India hosted seminar on SAARCFINANCE Database and First meeting of Working Group on SAARCFINANCE Database

The Seminar on SAARCFINANCE Database and the First Meeting of Working Group on SAARCFINANCE Database were organized by the Reserve Bank of India during November 16-18, 2016 at College of Agricultural Banking, Punefor taking forward the process of SAARCFINANCE Database expansion.The issues relating to the existing

Database, its coverage of variables, frequency of data submission and updation were discussed in details including the feasibility of further expanding data coverage across time and variables. The issues relating to Metadata viz., methodology of computations, frequency, definitions & sources and also the feasibility of international standardization were also discussed. The Seminar was attended by Executive Directors from Reserve Bank of India and 27 participants including SAARCFINANCE Coordinators and Alternate Coordinators. The First Meeting of the Working Group was chaired by Dr. Mridul K. Saggar, Adviser, Reserve Bank of India and attended by the members of the Working Group. Pakistan could not participate both in Seminar and the Working Group Meeting.

6) Bangladesh Bank hosted seminar on "Impacts of Mobile Financial Services in the SAARC Region" and 2nd meeting of the Researchers for the SAARCFINANCE Collaborative Research Study

Bangladesh Bank (BB) has organized a daylong SAARCFINANCE seminar on 19th December 2016 in the Pan Pacific Sonargaon Hotel, Dhaka. Representatives from Bangladesh, Bhutan, India, Nepal, Pakistan and Sri Lanka have attended in the seminar. The seminar program was separated into two sessions; inaugural and working sessions. The Governor of Bangladesh Bank, Mr. Fazle Kabir, was the Chief Guest while Mr. S. K. Sur Chowdhury, Deputy Governor, Bangladesh Bank, was present as a special guest in the inaugural ceremony. Mr. Abu Hena Mohd. Razee Hassan, Deputy Governor, Bangladesh Bank presided over the inaugural session. Dr. M. A. Baqui Khalily, former Professor, Department of Finance, University of Dhaka, presented the seminar's theme paper.

The inaugural ceremony was followed by two working sessions, in which the delegates from the SAARC region shared lessons about MFSs, drawing from their own experiences. In the seminar, Mr. S. M. Moniruzzaman, Deputy Governor, Bangladesh Bank, Dr. Qazi Kholiquzzaman Ahmad, Chairman, PKSF, Dr. Mustafa K. Mujeri, Executive Director, InM and many other distinguished economists, policy makers, academics, bankers, and MFS business leaders were also present. Their contributions to the discussion encompassed issues like pricing, coverage, competition, and future regulatory challenges of MFSs.

In addition, Bangladesh Bank has also organized 2nd meeting of the Researchers for the SAARCFINANCE Collaborative Research Study as a sideline meeting. The study was conducted on "Promoting Financial Inclusion in the SAARC Region" led by Bangladesh Bank and Maldives Monetary Authority (MMA) along with researchers from other SAARC member central banks. Accordingly, Bangladesh Bank has organized this meeting to facilitate the report writing procedures and finalizing the draft of the aforementioned study.

SAARCFINANCE Staff Exchange and Training Programs

- **Program Organized by the RBI:**

A five-day training Program for Trainers on Restructuring and Strengthening of Agricultural/Rural Financial Institutions was organized by Reserve Bank of India at College of Agricultural Banking, Pune, during July 04-08, 2016for 20 participants from Nepal, Bangladesh and Sri Lanka in collaboration with Centre for International Cooperation and Training in Agriculture Banking (CICTAB).

- **Program organized by Bangladesh Bank**

As part of the SAARCFINANCE Staff Exchange Program, a team of five delegates from Royal Monetary Authority of Bhutan (RMA) led by Mr. Phajo Darjee, Deputy Governor of RMA visited Bangladesh during 20-24 December 2016. The RMA team attended several sessions conducted by different departments of Bangladesh Bank and Microcredit Regulatory Authority (MRA), Bangladesh. These sessions covered a wide range of areas including legal framework of Cottage, Small and Medium Enterprise (MSME), reporting formats on MSME financing, financial stability and stress testing related issues, licensing framework and prudential regulations for Microfinance Institution (MFI) etc. In order to gather practical knowledge, the team also visited banks and other institutions involved in MSME and MFI financing.

- **Program organized by Central Bank of Sri Lanka**

Four delegates from Royal Monetary Authority of Bhutan (RMAB), visited CBSL in November 2016 to study the foreign exchange regime in Sri Lanka, including existing procedures, laws and rules.

- **Programs/meetings participated by the RBI officials:**

a) A four-day Program on 'Forex Bourse' was organized at Central Bank of Sri Lanka during July 12-15, 2016, conducted by the faculty members from Reserve Bank of India for 30 participants from Sri Lanka.

b) A two-day Program on 'Enterprise Risk Management' (ERM) was organized at Central Bank of Sri Lanka during August 18-19, 2016, conducted by the faculty members from Reserve Bank of India for 36 participants from Sri Lanka.

c) A three-day Program on 'Basel III and Risk Management' was organized at Central Bank of Sri Lanka during November 23-25, 2016, conducted by the faculty members from Reserve Bank of India for 60 participants from Sri Lanka.