SAARCFINANCE E- NEWSLETTER

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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:

1. To promote cooperation among central banks and finance ministries in SAARC member countries through staff visits and regular exchange of information;
2. To consider and propose harmonization of banking legislations and practices within the region;
3. To work towards a more efficient payment system mechanism within the SAARC region and strive for higher monetary and exchange cooperation;
4. To forge closer cooperation on macroeconomic policies of SAARC member states and to share experiences and ideas;
5. 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;
6. To monitor reforms of the international financial and monetary system and to evolve a consensus among SAARC countries in respect of the reforms;
7. To evolve, whenever feasible, joint strategies, plans and common approaches in international for a for mutual benefit, particularly in the context of liberalization of financial services;
8. 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;
9. 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;
10. To promote research on economic and financial issues for the mutual benefit of SAARC member countries; and,
11. 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

GDP growth observed fluctuated trend in the second haft period of 2017 and economic growth was satisfactory and close to the anticipated rate in the agriculture, industry and services sectors respectively. In past year the economic growth has reached to 3.9% in fourth quarter of 2017, with an increase from the figure 3.7% recorded in third quarter of 2017. Overall growth was largely driven by services and industry sectors respectively. In fact agriculture sector plays crucial role in national economy but at fourth quarter its growth rate decreased as compare to third quarter of the year due to unfavorable weather conditions, winter season and lack of supportive facilities in agriculture sector. Both government and non-profit organizations are making efforts to support the sector with more facilities and jointly working on launching new projects. The growth rate of agriculture sector came down to 10.3% compared to 12.2 percent, industry sector growth surged to 2.2% compared to 1.2 percent and services sector growth rate increased to 2.4% compared to 0.8 percent in fourth quarter compared to third quarter of 2017, technically services and industry sectors growth remained positive in fourth quarter while as in comparison, agriculture showed downward trend in the last quarter of 2017. Although Agriculture sector is heavily dependent on the seasonal rainfalls favorable weather condition in country and is expected to show positive and desirable changes in coming quarters.

CPI inflation continued to be decreasing for second haft of 2017 and continuing till first haft of 2018. Inflationary or deflationary pressures come from price change in bread and cereals, meat, vegetables, housing, furnishing and household goods, and transport. Afghanistan being mostly dependent on imports is venerable to imported inflation or deflation therefore; recently deflation pressure in the country has been affected by depreciation of neighbor countries (Pakistan, Iran) currency against US dollar.

Afghanistan is a consuming country and imports in greater quantity from neighboring countries, during second haft of the year national inflation influenced by imported inflation of Iran, Pakistan, China, Tajikistan and Uzbekistan as well. On the other hand, the average inflation rate of Iran and Pakistan recorded 9.6 percent and 4.57 percent in last quarter of 2017. Also, based on third quarter Report of State Bank of Pakistan for 2017, inflation is expected to increase to 6 percent in 2018. On the other hand, the average inflation rate of Iran has recorded average 10 percent in 2018. These mentioned issues will affect Afghanistan national inflation rate dramatically.

The near-term outlook of inflation is likely to remain steady. The central bank forecasts short term inflation rate of 3 to 4 percent for the first haft of 2018, based on the previous analysis which shows high decline rate compared to inflation rate of average 4.5% in the previous quarter of 2017.

Balance of Payments Developments:

Current Account

- The current account deficit in the second half year of 2017 recorded USD 2019.04 million, indicating an increase of deficit USD 61.20 million, compared to USD 1957.84 million in the second half year of 2016.

- This decline in the current account is mainly attributable to USD 14.18 million increase in the goods deficit, recorded net outflow of USD 3014.37 million in the second half year of 2017 as compare to USD 3000.20 million in the same period previous year and, increase of deficit in services recorded net outflow of USD 369.97 million in the second half year of 2017 as compare to USD 211.30 million in the same period previous year.

- Primary income recorded net inflow of USD 44.04 million in the second half year of 2017, shows a decrease of USD 14.18 million compare to USD 58.22 million in the same period previous year.

- Secondary income recorded net inflow of USD 1321.26 million in the second half year of 2017 in contrast to USD 1195.44 million net inflows, observed the same period year 2016, that indicate increase of USD 125.82 million.

Capital Account

- Capital account recorded a net inflow of USD 969.09 million, increased by USD 40.80 million, compared to USD 928.29 million in the same period previous year.

Financial Account

- Direct investment recorded a net decrease of USD 30.78 million, declined by USD 31.79 million compare to decrease of USD 62.57 million in the same period previous year.

- Portfolio investment recorded a net decrease of USD 35.57 million as compare to net increase of USD 41.08 million in the same period previous year.

- Other investment recorded a net decrease of USD 69.26 million as compare to net decrease of 24.09 million in the same period previous year.

- Official reserves recorded net inflow of USD 558.62 million, indicate increase of USD 259.89 million as compare to USD 298.73 million in the same period previous year.

Monetary Sector Developments

- The primary objective of Da Afghanistan Bank (DAB) is to achieve and maintain the domesticprice stability. To achieve its primary goaland to target a moderate inflation rate, Da Afghanistan Banktargets reserve money (RM) as its operational targetand currency in circulation as its indicative target. DAB uses the foreign exchange andcapital notes auction as the main monetary instruments to conductsound and prudent monetary policy.
- For evaluating the effectiveness of monetary policy,DAB has assigned the quantitative targets under three-year arrangement with the IMF (Extended Credit Facility).

- In the second half of 2017 reserve money grew by 10.2 percent, down from 12.96 percent in the same period of previous year.

- Broad money (M2) recordeda decrease of 8.4 percent in the second half of FY 2017, while it registered 11.5 percent growth in the second half of fiscal year 2016. The increase in broad money was mainly driven by an expansion in (M1), which registered a growth of almost 9.03 percent in the second half of fiscal year 2017. Meanwhile, quasi money, the other component of broad money, saw an incline of 1 percent in the period under review. The impactof theincrease in quasi money on broad money was minimal since it accounts for less than 8 percent of broad money.
- Net international reserves (NIR) enjoyed favorable accumulation in the second half of 2017, which indicates 7.6 percent increase.
- In the second half of fiscal year 2017, the national currency depreciated against major foreign currencies.It witnessed 2 percent depreciation against the U.S. dollars, 6.8 percent against Sterling pound, 7.7 percent against Euro and 2.7 percent against Indian rupee. Main causes to this depreciation are thought to be the uncertain economic environment, political tensions, huge trade deficit and low investment.
- It is worth to mention that DAB's performance was satisfactory and could met all quantitative performance criteria in the respective period. The key objective in the fiscal area is to achieve sustained increase in revenue collection to permit gradual takeover of externally financed operating & development spending to ensure an expenditure allocation consistent with Afghanistan National Development Strategy (ANDS). Furthermore, other goals include improvements in public expenditure management, fiscal policy formulation, efficiency in public enterprises, tax and customs administration.

  Moreover, as other emerging and under developing economies around the world, a budget imbalance (Budget Deficit) exists in Afghanistan total core expenditure exceeded total domestic revenue (excluding grants).

Furthermore, total core budget is decreased from AF 444.6 billion of FY 2016 to AF 429.4 billion of FY 2017 a decrease of AF 15.19 billion showing 3.4% significant decrease in total core budget on annual basis. On the other hand, a minor decrease in core budget of FY 2016 comprise of operating budget representing 2.8% decrease comparably while a considerable decrease in development budget indicating 4.5% decrease as a result of low budget execution rate of 76% for the approved core budget of FY 2016. It is worth mentioning that budget execution rate indicated a significant increase of 4% from 47% in second half of FY 2016 to 51% in second half of FY 2017 comparably as a result of decrease in overall approved core budget of FY 2017.

On the other hand, total revenue (domestic revenue and grants) composed during the second half of FY 2017 signified amount AF 215.29 billion indicated momentous increase of AF 43.97 billion from 171.32 billion to 215.29 billion representing 25.7% increase compared to second half of FY 2016 while total revenue collection represented amount AF 352.84 billion from the beginning of 22nd Dec, FY 2016 to 21 Dec, FY 2017.

In addition, total grants received during the second half of FY 2017 indicated amount AF 120.19 billion represented crucial increase of AF 23.16 billion from AF 97.01 billion of FY 2016 to AF 120.19 billion of FY 2017 resulted in 23.19% increase compared to second half of FY 2016 whereas total grants receipts represented amount AF 182.46 billion from the beginning of 22nd Dec, FY 2016 to 21 Dec, FY 2017.

Meanwhile, total expenditures during the second half of FY 2017 represented amount AF 218.07 billion comprise of AF 145.55 billion operating expenditure and AF 72.52 billion development expenditure indicating momentous decrease of amount AF 1.46 billion from AF 219.23 billion of FY 1395 to AF 218.07 billion of FY 2017 showing 0.7% significant dwindle compared with second half of FY 2016 while total expenditure represented amount AF 356.63 billion from the beginning of 22nd Dec, FY 2016 to 21 Dec, FY 2017.

KEY ECONOMIC INDICATORS: AFGHANISTAN

Key Macroeconomic Indicators (in million USD)	Second half/2017	First half/ 2017	2016	2015
A-Real sector				
Inflation		6.09%	4.55	0.08
Real GDP		N/Y	7345.41	7596.61
Nominal GDP		N/Y	19730.95	19347.72
Per Capita income		N/Y	695.71	688.41
B-External Sector				
1.Current Account		-1546.52	-3786.43	-4753.57
Goods and services		-1980.97	-6335.55	-7186.63
Primary income		33.33	51.72	179.96
Secondary income		401.12	2497.40	2253.09
2. capital Account		248.58	1418.13	1430.38
3.Fianancial Account		-25.64	652.77	-169.15
Direct investment		-22.79	-99.61	-169.15
Portfolio investment		-29.55	90.85	81.50
Other investment		25.35	20.01	61.78
Net errors and omissions		1272.30	641.27	-119.90
Reserves assets		1.50	3021.06	3177.14
C- Monetary Sector				
Currency in circulation	3,290.17	3,206.60	3,345.47	2,970.89
Net international reserves	7,345.36	6,834.37	6,777.87	6,343.36
Reserve assets	8,159.01	7,406.44	7,581.98	6,927.94
Reserve liabilities	813.65	572.08	804.11	584.58
Commercial banks deposits in foreign currency	750.66	506.58	732.66	498.27

Nonresident deposits in foreign currency	0.14	0.14	0.14	0.14
Use of fund resources	62.85	65.36	71.31	86.17
D-Fiscal Sector				
Overall balance	-41.56	(2,007)	79	(258)
Total revenue including Grants	3,213.28	136,553	5,347	5,326
Total Grants	1,793.93	62,269	3,042	3,161
Total Expenditure	3,254.84	138,559	5,268	5,583
Total Operating Expenditures	2,172.40	107,540	3,867	4,129
Total Development Expenditure	1,082.44	31,020		

Macroeconomic Surveillance Indicators for SAARCFINANCE e-newsletter

	Unit	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Core Indicators													
Current Account Balance as percentage of GDP	%			-2.5	-5.7	-9.2	-13.3	-25.9	-26.6	-18.6	-23.8	-18	
External Debt as a percentage of GDP	%				18%	15%	13%	12%	12%	11%	11%	10%	
Reserves to Import	%				94%	87%	86%	72%	69%	88%	80%	99%	101%
National Debt to GDP	%				18%	15%	17%	14%	15%	13%	13%	12%	
Domestic credit	% of GDP	1.8	2	5.9	4.7	4.6	2.4	1.9	2	0.6	0.4	1.1	
Fiscal Deficit	% of GDP			-2%	-0%	2%	-0%	-0%	2%	-1%	-1%	0%	
Inflation(12 month average)	%	7.09	9.99	34.55	-9.58	0.63	12.17	6.51	7.40	4.67	-1.55	5.03	4.98

Note: Since the report is based on Gregorian year so, current accounts balance of year 2008 cover only nine months. In addition, please note that GDP data is base on the Solar year.

BANGLADESH

RECENT OVERALL MACROECONOMIC DEVELOPMENTS

Overview

Bangladesh economy showed increased resilience over the years. Real GDP grew robustly by 7.28 percent in FY2017, outperforming the average growth of 4.7 percent for emerging market and developing economies in 2017. Economic activity remains buoyant in FY2018, underpinned by substantial easing of infrastructure constraints, robust domestic demand and a broad based pick up in global output growth. As per the preliminary estimate of Bangladesh Bureau of Statistics (BBS), real GDP growth is projected to be 7.65 percent in FY2018. CPI inflation in FY2018 has so far remained stable. The movement of monetary indicators broadly followed the program path set for the first of FY2018. As before, budget deficit contained within 5 percent of GDP. The Sector-wise brief analyses on Bangladesh economy during July-December 2016 (H1FY17) are given below:

Economic Growth

Although quarterly or half yearly data of GDP is not available, several proxy indicators signal a strong growth impulse in first half of FY2018. Quantum index of industrial production, growth of import, credit growth to private sector, cargo handled by Chittagong port etc. indicate that economic activities were robust in H1FY18. During July-December 2017, exports and remittances grew by 7.8 and 11.8 percent respectively. Import grew sharply by 25.8 percent, reflecting strong import demand for capital machinery and industrial raw materials. Private sector credit grew by 18.13 percent in December 2017. The general index of industrial production (medium & large scale manufacturing) increased significantly by 20.8 percent during July-December, 2017 over July-December, 2016. It is evident from economic developments that Bangladesh economy is on right track to attain the projected growth of 7.65 percent in FY2018.

Price Developments

12-month average inflation has been gradually edging up during July –December 2017, reaching 5.7 percent in December 2017 from 5.44 percent in June 2017, reflecting rising food prices. Although flood related supply shocks and rising global commodity prices edged up food component of CPI inflation to 7.2 percent in December 2017, non food inflation remains modest at 3.5 percent. Point-to-point CPI inflation, on the other hand, fluctuated and decelerated to 5.83 percent in December 2017 from 5.94 percent in June 2017.

Looking ahead, inflation risks appear to be on upside. This is also evident from BB's recent inflation expectation survey which reveals that expectation of one year ahead average inflation is around 6-7 percent. Upward price pressure may emerge from rising global commodity prices, upturn in private credit growth, spillovers from food to non-food inflation and exchange rate pass-through effects. However, favorable agriculture harvest and prudent monetary policy of BB will likely to moderate the risks of inflation.

Money and Credit Developments

The key monetary aggregates remained broadly in line with program path outlined for the first half of FY18. Broad money (M2) growth remained modest at 10.7 percent (y/y) in December 2017, against the programmed ceiling of 12.9 percent. Domestic credit growth stood at 14.4 percent in December 2017 compared to the program target of 14.5 percent. Though private sector credit grew by 18.0 percent in December 2017, exceeding the programmed ceiling of 16.2 percent; credit to the public sector, however, has declined by 8.9 percent in December 2017, far below the programmed ceiling of 3.6 percent growth. Reserve money (RM) growth of 13.3 percent in December 2017 was also nearly in line with the program ceiling of 12.8 percent.

Given the global and domestic inflation outlook, the monetary program for the second half of 2018 (H2 FY18) set the ceilings for M2 growth at 13.3 percent in June 2018. This is consistent with domestic credit growth within 15.8 percent and private sector credit growth within 16.8 percent by June 2018. Considering the government's likely negative or small bank borrowing along with expected near zero net foreign assets (NFA) growth due to high import payment outflows, RM growth targeted modest at 12.0 percent in June 2018. These are indicative ceilings deemed sufficient to achieve real GDP growth target of 7.4 percent for FY18 while keeping average inflation up to 6.0 percent.

External Sector Developments

During July-December 2017, export growth picked up from 1.7 percent in FY17 to 7.8 percent and remittance inflows increased remarkably by 12.5 percent from negative 14.5 percent a year ago. However, strong import growth (25.8 percent) stemming from higher food import along with investment-related intermediate and capital goods, which more than offset the improvements in remittance inflows and export growth, widened trade and current account deficit. The current account deficit widened to USD 4.8 billion, against USD 0.5 billion during the same period of the preceding fiscal year. Despite the financial account recorded surplus of USD 4.7 billion from higher foreign direct investment (FDI) and medium- to long-term-loans (MLTs) which largely compensated the current account deficit, overall balance still incurred a deficit of USD 0.35 billion. Deficit in BOP created some pressures in the foreign exchange market and in line with the market forces, nominal exchange rate depreciation by 2.5 percent in H1FY18.

Looking ahead, Import growth is likely to moderate as infrastructure related and food import taper during H2FY18. Strong export growth and remittance inflows are expected to moderate the current account deficit and exchange rate pressures. Capital and financial inflows are likely to support the overall balance.

Fiscal Policy:

Notable aspects of the fiscal policy adopted by the Government of Bangladesh include: reducing physical and socio-economic infrastructure gaps and invigorating private investment to help achieve accelerated and sustained economic growth, developing human resources and generating employment opportunities, ensuring effective redistribution of wealth through pro-poor and inclusive policies and programs etc. The Government has been maintaining a prudent fiscal stance in such a way that the outstanding public debt to GDP ratio decreases gradually and budget deficit remains at a tolerable level, i.e. within five percent of GDP. Besides, the Government has taken up many reform initiatives to improve the revenue administration and public expenditure management through structural reforms and wide application of information technology.

One of the pre-conditions for rapid economic development is increased investment. Public investment is gradually increasing. Besides, to create investment friendly environment for the private sector, specially, through ensuring the availability of electricity, gas and water connections, timely processing of investment proposals, availability of undisputed land etc., the Government has established Bangladesh Economic Zone Authority (BEZA) with a mission to establish 100 economic zones in 30,000 hectares of land by 2030 creating an employment opportunity for around 10 million people.

Human development has been at the core of the Government agenda; thus health, education and skill development issues have been made priorities. The value of Human Development Index (HDI) for Bangladesh was 0.535 in 2009, which has grown to 0.579 now according to Human Development Report (HDR) 2016 published in 2017. Moreover, Bangladesh is now categorized as a ‘Medium Human Development’ country. The Government is continuously putting efforts to help guarantee affordable and quality health, nutrition and family welfare services to the public which is ultimately resulting in successes, for example: now the maternal mortality rate has dropped to 1.76 per 1,000 live births which was 2.59 in 2009 and child mortality rate is 28 per 1,000 live births compared to 39 in 2009. Alongside universal primary education, emphasis is laid on promotion of creative, job-oriented and scientific education from secondary to tertiary levels. With an aim of eradicating poverty and establishment of social justice, the Government is increasingly expending in social protection and empowerment sector; resource allocation to this sector amounts to 2.44 per cent of GDP and 13.54 per cent of total budget in fiscal year 2017-18.

Power and energy are among the main priority sectors of the Government. The result is obvious; power generation capacity of the country was 4,942 MW in 2009 which has now increased by three times to 18,353 MW. The country aims at scaling up power generation to 24,000 MW by 2021 ensuring electricity supply to all in affordable price. On the other hand, in communications sector, the Government has laid emphasis on the development of integrated mode of transport combining road, rail and waterways. Besides construction and reconstruction of roads, highways, bridges and culverts etc, a mentionable number of flyovers and railway overpasses and other new infrastructural establishments have also been constructed. The Government has initiated large infrastructural projects including the Padma Bridge project (financed solely by domestic resources). Ten growth-generating large projects, identified as ‘Mega Projects’, have been brought under special supervision of the Honorable Prime Minister’s Office for rapid implementation.

The Government is persistently carrying out reforms in public financial management with a target of ensuring fiscal discipline, improving allocative efficiency and delivering services easily to doorsteps of the recipients. Recently, several new reforms have been added to the domain of ongoing public financial management system, which include: completion of pensioner database and payment of pension through

Electronic Fund Transfer (EFT), introduction of Government to Person (G2P) payment system for cash transfer program, online payments to the government exchequer and introduction of e-challan portal for verification of challans sitting at home; completion of database of all government employees and introduction of online pay bill submission system; introduction of new 56 digits Budget and Accounting Classification System (BACS) and introduction of web-based modern centralized 'Integrated Budget and Accounting System' (iBAS++). Real-time status of government transactions and instant cash position of government exchequer will now be available from iBAS++, which will eventually enhance efficiency of public financial management and thereby assist government in avoiding unnecessary borrowing.

Initiatives have been taken to make the tax management system fully automated and digitalized by increasing use of ICT in tax administration. E-TIN registration is functioning well; on-line return submission system has been introduced and it is under a plan of enhancement. As a part of digitalizing the VAT administration to strengthen the revenue base, government has taken initiatives to introduce VAT Online system removing legal and systemic constraints to accelerate on-line VAT registration process. Initiatives have been taken to install Electronic Fiscal Device (EFD) in business units for ensuring transparency in VAT collection system. After implementation of these reforms, cost of doing business will decrease and business friendly environment will prevail.

Fiscal Position:

In the fiscal year 2017-18, total target for revenue collection was set at TK. 2,87,990 crore which is 12.8 percent of the estimated GDP for the year. In the first six month of the year, i.e. during July-December 2017, the actual revenue collection was TK. 1,03,624 crore which is 36.0 percent of the annual target and 16.5 percent higher than the actual collection during the same period of previous fiscal year. On the other hand, the annual budget allocation for FY18 was TK.4,00,267 crore which is 18.0 percent of the estimated GDP of the year. Up to December 2017, the actual expenditure was 26.3 percent of the annual budget marking a 10.1 growth over the same period of previous fiscal year.

The tax revenue target for FY18 is TK. 2,56,811 crore; actual collection up to December 2017 was 36.1 percent of it which marked a growth of 17.6 percent compared to the same period of previous fiscal year. During this period, the non-tax revenue collection was 33.8 percent of the annual target. The National Board of Revenue (NBR) collected 86.1 percent of the total revenues during this period.

Government expenditure is shown under two broad categories, namely, Non-Development Expenditure and Development Expenditure. Annual Development Program (ADP) holds the fundamental portion of the development expenditure. In FY18, budget allocation for ADP was TK.1,53,331 crore among which 16.1 percent was expended till December. On the other hand, budget allocation for the recurrent and other expenses was TK 2,46,936 crore, 32.6 percent of which was expended during July-December of the fiscal year.

Overall balance of the budget is calculated either by including grants or by excluding grants. The deficit (excluding grant) for FY 18 was estimated to be 5.0 percent of annual GDP. In financing this deficit, 56.5 percent was estimated to come from domestic sources, whereas 43.5 percent from foreign sources. Up to December 2017, there was a deficit amounting to 0.07 percent of GDP.

Latest Development of Some Macroeconomic Indicators

The latest developments of some key macroeconomic indicators of Bangladesh economy are given below. Moreover, yearly data on key macro-economic indicators of Bangladesh economy are also given at **Annex-1** and data on Macroeconomic Surveillance Indicators for Bangladesh is given at **Annex-2**.

- As per the preliminary estimate of Bangladesh Bureau of Statistics (BBS), real GDP growth has registered 7.65 % in FY 2017-18 which was 7.28 % in FY 2016-17.
- Overall inflation (base: 2005-06=100) is 5.81% on yearly average basis (5.57% on point-to-point basis) at the end of May 2018.
- Export increased by 6.66 % compared to the same period of the previous fiscal year amounting USD 33728.82 million during July -May, FY2018.
- Imports increased by 25.17% compared to the same period of the previous fiscal year amounting USD 49010.80 million during July-April of FY2018.
- Remittance increased by 17.48% compared to the same period of the previous fiscal year amounting USD 13575.18 million during July-May, FY2018.
- The overall deficit in the country's BOP stood at USD 1044 million during July-April of FY 2018.
- The country's foreign exchange reserve stood at USD 32.76 billion as on 21 June 2018.
- The nominal exchange rate of Taka against US$ remained stable at Tk.83.70 per USD as on 21 June 2018.

Highlights of Major Policy Announcements

1. Taka loans to Non- Resident Bangladesh (NRBs) working abroad

In order to enhance housing finance facility to NRBs working abroad, it has been decided that they may avail housing finance facility at a maximum debt equity ratio of 75:25 instead of existing debt equity ratio of 50:50.

2. Reduction of Interest Rate for Green Transformation Fund

In order to encourage ADs to use Green Transformation Fund for export oriented textile & textile products and leather manufacturing industries, it has now been decided that reduced interest at six-month USD LIBOR plus 1.00 percent shall be charged to ADs instead of existing six-month USD LIBOR plus 2.25 percent against the financing.

3. **General Provisioning against Unclassified Credit Card Loans**

   With a view to promoting cashless secured transaction and considering the cost of operation of the credit card business, banks are required to maintain 2 percent general provision against all unclassified credit card loans under consumer financing instead of earlier 5 percent.

4. **Prudential Guidelines for Agent Banking**

   BB has prepared and circulated prudential guidelines for agent banking operation in Bangladesh to enhance financial inclusion and to bring the banking services at the door-step of rural marginal people.

5. **Uniform KYC Form for Insurance Companies/ Corporation**

   BB has issued uniform KYC profile Form for Insurance Company/Corporation according to Money Laundering Prevention Act, 2012 and Anti terrorism Act, 2009.

6. **Interest Rate for the Long Term Financing Facility (LTFF)**

   Bangladesh Bank (BB) has revised the interest rate for the LTFF under the Financial Sector Support Project (FSSP). Now banks would pay interest at a rate between 2.0 to 3.0 percent in excess of LIBOR for the tenures of five to ten years (instead of LIBOR + 2.5 ~ 3.5 percent).

7. **Instructions Regarding Mobile Financial Services (MFS)**

   Customers of MFS can maintain outstanding balance of maximum Taka three lakhs in their mobile financial account from the beginning of 2018.

8. **Refinance Fund for Development of Cottage, Micro, Small & Medium Industries**

   A refinance scheme equivalent to USD 240.0 million has been formed with the financial support of Asian Development Bank and the People's Republic of Bangladesh to enhance the financial services to cottage, micro, small & medium industries.

Highlights of Activities related to SAARCFINANCE (During July-December 2017)

(1)Bangladesh Bank hosted 26th SAARCFINANCE Coordinator’s Meeting

The 26th SAARCFINANCE Coordinators’ Meeting was held on August 26, 2017 at Ocean Paradise Hotel and Resort, Cox’s Bazar, Bangladesh hosted by Bangladesh Bank (BB). Delegates from all member countries of SAARC except Maldives, were present at the meeting. There were two sessions in the 26th SAARCFINANCE Coordinators’ Meeting -an inaugural session followed by a working session. The inaugural session started with the welcome speech of Dr. SayeraYounus, SAARCFINANCE Coordinator, Bangladesh, where she welcomed all the participants of the meeting.

Deputy Governor, BB, Mr. Abu Hena Mohd. Razee Hassan was the Chief Guest while Dr. Md. Akhtaruzzaman, Economic Adviser, BB and Mr. Mohd. Humayun Kabir, Executive Director, Chittagong Office, BB were the Special Guests of the inaugural session.

Mr. Abu HenaMohd. Razee Hassan, Deputy Governor, BB Chaired the working session of the meeting. There were detailed discussions over the agenda items where the Coordinators and Alternate Coordinators of the respective SAARC Central Banks and the Focal Points from the Ministries of Finance expressed their views.

Along with finalizing the agenda for the 35th SAARCFINANCE Group Meeting to be held at Washington DC, USA on October 12, 2017, some of the other issues discussed including: (1) SAARCFINANCE Database (2) Collaborative Research Studies (3) Strengthening Coordination between SAARCFINANCE and SAARC Inter-Government Expert Group on Financial Issues (IGEG) (4) New proposals by member countries for holding of seminars or other activities under the aegis of SAARCFINANCE.

(2) Bangladesh Bank hosted The 35th SAARCFINANCE Group Meeting

The 35th SAARCFINANCE Group Meeting was held on October 12, 2017 at Washington D.C., USA organized by Bangladesh Bank (BB) on the sidelines of the Annual Meetings of the World Bank Group and the IMF. The meeting was chaired by Mr. Fazle Kabir the Chairperson of SAARCFINANCE and Governor, BB. The meeting was also graced by the presence of Honorable Finance Secretary of Government of Bangladesh Mr. Mohammad Muslim Chowdhury.

Governors of SAARC Central Banks, Finance Secretaries and representatives from SAARC member countries were present in the meeting. Apart from typical agenda,some crucial issues discussed in the meeting following: 1) SAARCFINANCE Database 2) Collaborative Research Studies by Member Central Banks 3) Reducing Cost of Cross-border Remittances 4) Capacity Building 5) Cooperation in Banking Regulation and Supervision 6) Financial Inclusion. In this meeting Bangladesh Bank fulfilled the responsibilities of SAARCFINANCE Chair Central Bank for the year 2017 and handed over the chairmanship to the Da Afghanistan Bank for the year 2018.

Annex-1

PERFORMANCES OF SOME KEY MACRO ECONOMIC INDICATORS: BANGLADESH

	Unit	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18 (July-December)
I. Real Sector										
Per Capita GDP	USD	687	748	766	1088	1115	1236	1385	1538	N/A
Real GDP Growth	%	6.1	6.7	6.3	6.2	6.1	6.6	7.1	7.2	N/A
GDP (Market Price)	Billion USD	100.4	111.9	115.7	129.9	173.8	195.2	221.0	248.8	N/A
Agriculture	% of GDP	20.3	18.0	17.4	16.8	16.1[R]	15.5	14.8	14.2	N/A
Industry	% of GDP	29.9	27.4	28.1	29.0	27.6[R]	28.2	28.8	29.3	N/A
Services	% of GDP	49.8	54.6	54.5	54.2	56.3[R]	56.4	56.5	56.5	N/A
Investment	% of GDP	24.4	27.4	28.2	28.4	28.6[R]	28.9	29.7	30.3	N/A
National Savings	% of GDP	30.0	29.0	29.9	30.5	29.2[R]	29.0	30.8	30.3	N/A
Headline Inflation (12 mth avg)*	%	7.3	8.8	10.6	6.8*	7.4*	6.4	5.9	5.5	5.70
- Food Inflation	%	8.5	11.3	10.4	5.2*	8.6*	6.7	4.9	4.5	7.17
- Non-Food Inflation	%	5.5	4.2	11.1	9.2*	5.5*	6.0	7.5	7.1	3.51
- Core inflation	%	NA	NA	NA	NA	NA	6.74	8.21	4.6	3.60
II. Fiscal Sector										
Revenue Collection (CSR)	Billion USD	11.5	13.4	15.0	17.5	18.1	18.8[R]	22.1	27.6	N/A
Fiscal Deficit (excluding grants)	% of GDP	3.7	4.4	5.0	4.8	4.1	3.9[R]	3.8	5.0	N/A
Fiscal Deficit (including grants)	% of GDP	3.3	3.8	4.6	4.3	3.5	3.7[R]	3.7	4.8	N/A
Public Debt	% of GDP	32.3	32.4	31.8	30.0	29.1	27.3	27.7	27.1	N/A
- of which foreign debt	% of GDP	17.6	17.2	16.6	14.9	14.1	12.1	11.9	11.4	N/A
- domestic debt	% of GDP	14.7	15.2	15.2	15.1	15.0	15.2	15.8	15.7	N/A
- debt servicing	% of total revenue	7.7	6.9	6.5	6.3	7.2	5.2	4.75	4.14	N/A
III. External Sector										
Exports (f.o.b)	Billion USD	16.2	22.6	24.0	26.6	30.2	30.7	33.4	34.0	17.7
Imports (f.o.b.)	Billion USD	21.4	30.3	33.3	33.6	36.6	37.7	39.9	43.5	26.3
Trade Deficit	Billion USD	5.2	7.7	9.3	7.0	6.8	7.0	6.5	9.5	8.6
Remittances	Billion USD	11.0	11.7	12.8	14.5	14.2	15.3	14.9	12.8	6.91
Current Account Balance	Billion USD	3.7	-1.7	-0.4	2.4	1.4	3.5[R]	4.2	-1.5	-4.7
Current Account Balance	% of GDP	3.7	1.5	0.3	1.9	0.9	0.8	1.9	-0.6	N/A
Total Foreign Investment	Million USD	796	884	1431	2094	2411	1551	1424	2164	1239
- Foreign Direct Investment	Million USD	913	775	1191	1726	1474	1172[R]	1285	1706	1030
- Portfolio Investment	Million USD	-117	109	240	368	937	379	139	458	209
External Debt and Forex Liabilities	Billion USD	20.3	21.5	22.8	22.3	23.6	23.5	26.3	28.5	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	N/A
Outstanding Debt	% GDP	20.3	19.7	19.7	14.9	14.1	12.1	11.9	11.4	N/A
External Debt Servicing Ratio	% of outstanding	4.3	4.2	4.2	4.2	4.2	4.7	3.9	4.0	N/A

	external debt									
Exchange Rate	Per USD	69.2	71.2	79.1	79.9	77.8	77.7	78.3	79.1	78.7
Foreign Exchange Reserve	Billion USD	10.8	10.9	10.2	15.3	21.5	25.0	30.2	33.5	33.2
IV. Monetary & Capital Market										
Growth Rate of M_1	y-o-y	28.0	18.7	6.4	10	14.6	14.3	32.1	13.0	14.35
Growth Rate of M_2	y-o-y	22.4	21.3	17.4	16.7	16.1	12.4	16.3	10.9	10.69
Growth Rate of M_3	y-o-y	23.0	18.9	15.5	15.3	16.5	14.8	18.3	14.6	13.74
Weighted Avg. Lending Rate	%	11.3	12.4	13.8	13.7	13.1	11.7	10.4	9.9	9.35
Credit growth to Private Sector	%	24.2	25.8	19.7	10.9	12.2	12.9	16.6	15.6	18.13
Stock Market (Price Index)		5111.6	6117.2	4572.9	4385.8	4480.5	4583.1	4507.6	5656.1	6244.52
Market Capitalization of DSE#	Billion Taka	2700.7	2853.9	2491.6	2530.2	2386.3	2701.9	2614.5	3239.4	3669.59
Market Capitalization of DSE#	% of GDP	38.9	35.8	27.2	24.4	17.7	17.8	15.1	16.6	N/A
Market Capitalization of DSE#	Billion USD	39.0	40.1	31.5	31.7	30.7	34.7	33.4	40.9	45.11
V. Banking Sector Indicators										
Capital adequacy ratio	%	9.3	11.4	10.5	9.1	10.7	10.3	10.8	10.9	10.83
Non-performing loans	%	7.3	6.1	10.0	11.9	10.8	9.7	10.1	10.1	9.31
Profitability (R.O.E)	%	21.0	17.0	8.2	8.2	8.4	6.6	9.4	4.7	9.60
Profitability (R.O.A)	%	1.8	1.5	0.6	0.6	0.6	0.5	0.68	0.34	9.60

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

NA= Not available

Indicators	FY2018* (December 17)	FY2017	FY2016	FY2015	FY2014	FY2013	FY2012
Current account balance as a percentage of GDP	-0.11	-0.84	1.62	0.96	0.60	1.25	0.84
Reserves as a percentage of import (in months)	7.34	8.20	8.20	7.10	6.10	5.20	3.60
National Debt as a percentage of GDP (a+b)	28.70	29.80	30.26	30.62	32.46	32.65	34.19
(a) Domestic Debt as a percentage of GDP	14.65	15.67	15.78	15.50	15.45	15.48	15.17
(b) External Debt as a percentage of GDP	14.05	14.13	14.48	15.12	17.01	17.17	19.02
Domestic Credit as a percentage of GDP	42.53	45.08	46.24	46.28	47.47	47.69	48.80
Fiscal Deficit as a percentage of GDP	1.46	4.8	4.7	3.7	3.09	3.25	3.24
Inflation Rate	5.70	5.44	5.9	6.4	7.4	6.8	10.6

R= Revised

Macroeconomic Surveillance Indicators for Bangladesh Annex-2

Source: Bangladesh Bank.

* Since quarterly GDP is not available, the estimated yearly GDP for FY18 is used to calculate the percentage share of variables.

Bhutan

Recent Overall Macroeconomic Developments

Despite slowdown in the global economy and transient impact of the demonization in India, the Bhutanese economy maintained strong economic growth momentum over the period (7.9 percent in 2016) mainly driven by construction of new hydropower plant. The upward growth trajectory was underpinned by macroeconomic stability characterized with moderate inflation, narrowing external account, fiscal consolidation and sound domestic financial sectors.

The headline inflation in Bhutan remains contained averaging at 5.5 percent over last five years. While slowdown in domestic prices accompanied with drop in imported prices have resulted in moderation of inflation. The current adoption of inflation targeting as monetary policy by the RBI also helped to stabilize the price.

Even as growth prospects remain positive in the medium term, the current account continues to remain a challenge for the country. The percent share of current account deficit to GDP on average stood more than 25 percent. This current account deficit is largely financed by official inflows in the form of capital and external loans of the Government. Although, the percentage share of external debt to GDP has been increasing (more than 100 percent), the external debt largely cater to financing of hydropower development (80 percent) which is self liquidating in nature. On the other hand, the domestic debt constituting less than 5 percent mainly borrowed by the government to finance the fiscal deficit. With fiscal consolidation, the fiscal deficit remains within target (FYP on average 3 percent of GDP) as stipulated under the Public Finance Act 2007.

In addition, the current account deficit is also a manifestation of domestic bottle necks with limited domestic production base and weak export performance. Given the weak export performance, the credit from financial institutions, which consist of more that 55 percent share of GDP are translated into imports. However, the RMA has sufficient international reserves to finance imports (more than 50 % of imports)

Macroeconomic Surveillance Indicators for Bhutan

SL no.	Indicators	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18 (Latest Available)
1	Current Account Balance as a percentage of GDP*	-21.41	-25.39	-26.35	-27.51	-30.40	-21.98	-
2	External Debt as a percentage of GDP	82.34	94.59	93.96	93.98	111.53	101.12	107.64 (March, 2018)
3	Reserve as percentage of Import	81.64	54.68	54.83	58.88	43.34	51.68	64.91 (March, 2018)
4	National Debt as a percentage of GDP	77.48	99.90	96.36	95.97	114.38	106.58	-
5	Domestic Credit as a percentage of GDP	56.25	55.99	56.19	56.84	61.69	59.51	65.90 (March, 2018)
6	Fiscal Deficit as percentage of GDP	1.14	4.19	-3.82	-1.51	1.11	3.35	-
7	Inflation (12 month average)	10.12	8.87	9.31	6.67	3.28	4.31	4.02 (March, 2018)

Source: Macroeconomic Research and Statistics Department, RMA, Bhutan

* All ratios to the GDP used are fiscal year GDP, which are derived by averaging two calendar year GDPs. For calculating latest percentage share of variable, the year 2016/17 GDP has been used.

To address the macroeconomic challenges, the RMA‘s monetary policy remain accommodative to support growth, complemented by a strong focus on financial inclusion and targeting to boost agriculture, CSI and entrepreneurship amongst the youth.

India

Recent Overall Macroeconomic Developments

Growth Outlook:

- Gross domestic product (GDP) growth for the full year 2017-18 has been estimated at 6.7 per cent with Q4:2017-18 witnessing a growth rate of 7.7 per cent, which is the highest in last seven quarters. The economy has exhibited sustained revival in recent quarters and the output gap has almost closed. The private final consumption expenditure (PFCE), due to improved rural demand on the back of a bumper harvest and the government's thrust on rural housing and infrastructure, is contributing to the revival. Investment activity is also recovering well as evident from the accelerated growth of the Gross fixed capital formation (GFCF) in the last three quarters. This is also reflected in improvement in credit offtake. Investment activity could receive a further boost from swift resolution of distressed sectors of the economy under the Insolvency and Bankruptcy Code.
- The estimates of agriculture and allied activities have been revised upwards, supported by an all-time high production of foodgrains and horticulture during the year. Industrial growth also strengthened in 2017-18, reflecting the robust performance of manufacturing, which accelerated for three consecutive

quarters in Q4. The manufacturing PMI also remained in an expansionary mode for the tenth consecutive month in May.The services sector, while remained robust, witnessed lower growth in some constituents such as trade, hotels, transport & communication, and financial services. Various high frequency indicators*viz.*sales of tractors and two-wheelers, sale of commercial vehicles, freight traffic of railways, passenger vehicle sales, and domestic air passenger traffic recorded robust performance in recent quarters.

Inflation Outlook:

- Consumer price inflation stood at 4.87 percent in May 2018 compared with 2.18 per cent last year. Core inflation that increased sharply in April, continued to remain over 6 per cent in May 2018, making it necessary for RBI to remain focused on keeping inflation closer to the middle of the target band. RBI had raised its policy rate by 25 bps to 6.25 per cent ahead of this data release factoring in build up of core inflationary pressures, expected pass-through from rise in global crude prices and new information on rise in inflation expectations.

- The risks to the inflation trajectory are on the upside, dominated by volatility in crude oil prices, rise in inflation expectations, staggered impact of House Rent Allowance increases by the state governments, revision in minimum support prices (MSP) formula for various crops and possibility of fiscal slippage. There is considerable uncertainty surrounding most of these factors.

External Sector Outlook:

- Current Account deficit (CAD) has widened in 2017-18 to 1.9 per cent of GDP from 0.6 per cent in 2016-17 per cent on a year-on-year (y-o-y) basis, primarily on account of a higher trade deficit brought about by a larger increase in merchandise imports relative to exports. While net FDI inflows showed a moderation in 2017-18, net portfolio investment recorded significant growth in 2017-18. India’s foreign exchange reserves were at US$ 412 billion as on June 1, 2018.

Monetary Developments:

- During the financial year 2017-18 (as on March 30, 2018), Reserve Money (RM) increased by 27.3 per cent vis-à-vis a decline of 12.9 per cent in the corresponding period of the previous year, mainly due to the expansion in currency in circulation (CIC). During the financial year 2017-18 (as on March 30, 2018),Broad Money (M3) growth stood at 9.6 per cent, lower than that of 10.1 per cent in the corresponding period of the previous year mainly due to the deceleration in the growth of aggregate deposits.Non-food bank credit (from select 41 scheduled commercial banks) increased by 8.4 per cent on a year-on-year basis in March 2018 against the same rate as in March 2017.

Fiscal Policy:

- In 2017-18 (April-February), there was a deterioration in the fiscal position of the central government on account of a sharp increase in expenditure combined with a decline in non-tax revenue relative to budget estimates. Revenue expenditure has evolved as budgeted, although payments under food and petroleum subsidies have been higher than a year ago. Both gross and net tax collections were marginally higher than their budgeted levels, mainly on account of buoyant direct tax revenues under corporation tax. Indirect tax collections during April-February 2017-18 were higher by 12.9 per cent than their level a year ago. As per the Union Budget 2018-19, total revenue under GST for 2017-18 (RE) aggregated ` 4,446 billion. Collections under Centre GST (CGST) and integrated GST (IGST) were `2,214 billion and `1,619 billion, respectively. Non-tax revenues fell short of the budget target by 18.3 per cent due to lower receipts from dividends and profits as well as deferment of spectrum auctions.
- State finances have a significant bearing on the overall fiscal position of the general government. The latest available data for 21 States suggest a slippage in the combined GFD to gross state domestic product (GSDP) ratio to 3.0 per cent in 2017-18 (RE) as against 2.6 per cent budgeted. Revenue expenditures of states have shown significant divergences from budget estimates of 2017-18 so far, resulting from several factors such as

implementation of the recommendations of states' pay commissions, farm loan waivers in some states and rising interest burden. This poses a challenge for overall fiscal consolidation.

- The borrowing programme of the Central Government for 2017-18 was conducted at levels higher (1.4 per cent) than in the overall budgeted strategy, while States, at the aggregate level, borrowed less (13.4 per cent) than budgeted. A strategy of debt consolidation was undertaken through buybacks and switches to the extent of ` 416 billion and ` 581 billion, respectively. Gross market borrowings of the Central Government through dated securities for 2018-19 have been budgeted at `6,055 billion and net market borrowings at `4,621 billion.

Highlights of Major Monetary Measures taken by the Reserve Bank since July 2017

June 06, 2018	Second Bi-monthly Monetary Policy Statement, 2018-19 decided to • Increase the policy repo rate under the liquidity adjustment facility (LAF) by 25 basis points to 6.25 per cent. • Consequently, the reverse repo rate under the LAF stands adjusted at 6.0 per cent, and the marginal standing facility (MSF) rate and the Bank Rate at 6.50 per cent. • The decision of the MPC is consistent with the neutral stance of monetary policy in consonance with the objective of achieving the medium-term target for consumer price index (CPI) inflation of 4 per cent with a band of +/- 2 per cent, while supporting growth.
April 05, 2018	• First Bi-monthly Monetary Policy Statement, 2018-19 decided to • Keep the policy repo rate under the liquidity adjustment facility (LAF) unchanged at 6.0 per cent. • Consequently, the reverse repo rate under the LAF remains at 5.75 per cent, and the marginal standing facility (MSF) rate and the Bank Rate at 6.25 per cent.

	• The decision of the MPC is consistent with the neutral stance of monetary policy in consonance with the objective of achieving the medium-term target for consumer price index (CPI) inflation of 4 per cent with a band of +/- 2 per cent, while supporting growth.
Feb 07, 2018	Sixth Bi-monthly Monetary Policy Statement, 2017-18 decided to • Keep the policy repo rate under the liquidity adjustment facility (LAF) unchanged at 6.0 per cent. • Consequently, the reverse repo rate under the LAF remains at 5.75 per cent, and the marginal standing facility (MSF) rate and the Bank Rate at 6.25 per cent. • The decision of the MPC is consistent with the neutral stance of monetary policy in consonance with the objective of achieving the medium-term target for consumer price index (CPI) inflation of 4 per cent with a band of +/- 2 per cent, while supporting growth.
Dec 06, 2017	Fifth Bi-monthly Monetary Policy Statement for 2017-18 decided to • Keep the policy repo rate under the liquidity adjustment facility (LAF) unchanged at 6.0 per cent. • Consequently, the reverse repo rate under the LAF remains at 5.75 per cent, and the marginal standing facility (MSF) rate and the Bank Rate at 6.25 per cent. • The decision of the MPC is consistent with a neutral stance of monetary policy in consonance with the objective of achieving the medium-term target for consumer price index (CPI) inflation of 4 per cent with a band of +/- 2 per cent, while supporting growth.
Oct 04, 2017	Fourth Bi-monthly Monetary Policy Statement for 2017-18 decided to • Keep the policy repo rate under the liquidity adjustment facility (LAF) unchanged at 6.0 per cent. • Consequently, the reverse repo rate under the LAF remains at 5.75 per cent, and the marginal standing facility (MSF) rate and the Bank Rate at 6.25 per cent. • Reduce the Statutory Liquidity Ratio (SLR) by 50

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

Training Programmes/Staff Exchange Programmes Organized by the RBI:

- Nepal Rastra Bank made exposure visits to various departments of the RBI during November 22 to 24, 2017. Three delegates from Nepal attended training on 'Managing World of Virtual Finance- FinTech Regulation' in August 2017 and two delegates attended training on 'Banking Regulation – Dynamics of New Changes' in December 2017 at RBSC, Chennai.11 delegates from Nepal attended a Programme on 'Digitisation and Financial Inclusion' at CAB, Pune.
- Royal Monetary Authority of Bhutan (RMAB) attended exposure training programme at ZTC, Kolkata during November 20-24 and December 4-8, 2017. One delegate from Bhutan attended training on 'Banking Regulation – Dynamics of New Changes' during December 11-15, 2017.
- Officials of Bangladesh Bank made a one day visit to Financial Inclusion and Development Department (FIDD)on July 17, 2017.
- Officials of Da Afghanistan Bank visited various departments of the RBI on December 28, 2017

- 21 officials of Central Bank of Sri Lanka attended a Programme on ‘Macro prudential policy and implementation’ and 22 officials attended a Programme on ‘Payment and Settlement Infrastructure’, conducted by RBI at Central Bank of Sri Lanka. 11 delegates from Sri Lanka attended a Programme on ‘Digitisation and Financial Inclusion’ at CAB, Pune.

Participants from various SAARC countries attended International Participants Training at NIBM, Pune on September.

Annex: Data for SAARCFINACNE e-newsletter

	Unit	**2005-06**	**2006-07**	**2007-08**	**2008-09**	**2009-10**	**2010-11**	**2011-12**	**2012-13**	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**2018-19**
I. Real Sector															
Per Capita GDP (Real) #	**US$**	664	701	851	785	814	909	1495	1371	1295	1360	1355	1399	1533	
Real GDP Growth $	**%**	9.5	9.6	9.3	6.7	8.6	8.9	6.7	5.5	6.4	7.4	8.2	7.1	6.7	
GDP (MP at Current Prices) #	**Billion US$**	834	948	1241	1227	1367	1707	1824	1828	1857	2041	2101	2273	2600	
Agriculture Growth $	**%**	5.1	4.2	5.8	0.1	0.8	8.6	5.0	1.5	5.6	-0.2	0.6	6.3	3.4	
Industry Growth $	**%**	8.5	12.9	9.2	4.1	10.2	8.3	6.7	4.5	4.2	8.1	12.1	8.7	5.5	
Services Growth $	**%**	11.1	10.1	10.3	9.4	10.0	9.2	7.1	7.0	6.9	9.0	8.7	6.7	7.6	
Investment #	**% of GDP(MP)**	34.7	35.7	38.1	34.3	36.5	36.5	39.0	38.7	33.8	33.5	32.3	30.6		
Domestic Savings $$	**% of GDP(MP)**	33.4	34.6	36.8	32	33.7	33.7	33.8	33.1	31.4	31.6	30.7	29.6		
Headline Inflation (WPI) ****	**%**	4.5	6.6	4.7	8.1	3.8	9.6	8.9	7.4	5.2	1.3	-3.7	1.7	2.9	
- Food Inflation	**%**	3.7	7.9	5.6	8.9	14.6	11.1	7.2	9.3	9.6	4.3	1.2	5.9	1.9	
- Non-Food Inflation	**%**	4.7	6.2	4.4	7.8	0.2	9	9.6	6.6	3.7	0.2	-5.4	0.1	3.3	
- Excl. Food and Fuel inflation	**%**	2.6	6.1	5.7	6.8	0.9	8.1	8.4	5.6	3	1.6	-2.5	0.2	2.5	
Headline Inflation (CPI)***	**%**	4.4	6.7	6.2	9.1	12.4	10.4	8.4	10	9.4	5.8	4.9	4.5	3.6	
- Food Inflation	**%**	4.1	9.	8.	12.	15	9.	6.	11.	11.	6.5	5.1	4.4	2.2	

			2	4	3	.2	9	3	2	9					
- Fuel & Light Group Inflation	%	-4.5	5.7	2.2	8.2	3.6	9.8	15.3	9.7	7.7	4.2	5.3	3.3	6.2	
- Excl. Food and Fuel inflation	%	6.6	3.2	4.6	6	10.5	11.2	9.8	9	7.2	5.4	4.6	4.8	4.6	
II. Fiscal Sector															
Revenue Collection (CSR)	**Billion INR**	3471	4344	5419	5403	5728	7885	7514	8792	10147	11015	11950	13742.03	15054.28$$$	17257.38@
Fiscal Deficit (excluding grants)	**% of GDP**														
Fiscal Deficit (including grants)	**% of GDP**	4 .0	3.3	2.5	6.0	6.5	4.8	5.9	4.9	4.5	4.1	3.9	3.5	3.5$$$	3.3@
Public Debt	**% of GDP**	40.2	38.4	38.5	38.1	38	37.8	40.7	41.1	41.1	41.0	41.7	40.7	39.2	
- of which external debt	**% of GDP**	2.6	2.4	2.2	2.2	2.1	3.6	3.7	3.3	3.3	2.9	3.0	2.7	2.5	
- domestic debt ^^	**% of GDP**	37.6	36	36.3	35.9	35.9	34.3	37	37.9	37.8	38.1	38.8	37.8	36.7	
- debt servicing	**% of total Revenue**	38.2	34.2	31.6	35.6	37.2	29.7	36.4	35.6	36.9	36.5	37	33.9	34.5	
III. External Sector															
Exports (f.o.b)	**Billion US$**	105.2	128.9	166.2	189	182.4	256.2	309.8	306.6	318.6	316.5	266.4	280.1	309.0	
Imports (c.i.f)	**Billion US$**	157.1	190.7	257.6	308.5	300.6	383.5	499.5	502.2	466.2	461.5	396.4	392.6	469.0	
Trade Deficit	**Billion US$**	-51.9	-61.8	-91.5	-119.5	-118.2	-127.3	-189.8	-195.7	-147.6	-144.9	-130.1	-112.4	-160.0	
Remittances	**Billion US$**	24.5	29.8	41.7	44.6	51.8	53.1	63.5	64.3	65.5	66.3	63.1	56.0	62.9	
Current Account Balance	**Billion US$**	-9.9	-9.6	-15.7	-27.9	-38.2	-48.1	-78.2	-88.2	-32.3	-26.8	-22.2	-14.4	-48.7	
Current Account Balance	**% of GDP**	-1.2	-1	-1.3	-2.3	-2.8	-2.8	-4.2	-4.8	-1.7	-1.3	-1.1	-0.6	-1.9	
Total Foreign Investment	**Million US$**	15528	14753	43326	8342	50363	42127	39231	46711	26386	73456	31891	43224	52401	

- Foreign Direct Investment	**Million US$**	3034	7693	15893	22372	17966	11834	22061	19819	21564	31251	36021	35612	30286	
- Portfolio Investment	**Million US$**	12494	7060	27433	-14031	32396	30293	17170	26891	4822	42205	-4130	7612	22115	
External Debt and Forex Liabilities	**Billion US$**	139.1	172.4	224.4	224.5	260.9	317.9	360.8	409.4	446.2	474.7	485	471.9	485.8 ++	
External Debt and Forex Liabilities	**% of forex earnings**	109	115.6	138	112.2	106.9	95.9	81.6	71.3	68.2	72	74.3	78.4	79.6 ++	
Short-term debt to GDP	**%**	2.4	2.9	3.7	3.9	3.6	3.7	4.6	5.3	4.9	4.3	4	3.8	3.7 ++	
External Debt Service Ratio		10.1	4.7	4.8	4.4	5.8	4.4	6	5.9	5.9	7.6	8.8	8.3	6.3 ++	
Exchange Rate	**Per US$**	44.3	45.3	40.3	46	47.4	45.6	47.9	54.4	60.5	61.1	65.5	67.1	64.5	
Foreign Exchange Reserves	**Billion US$**	152	199	310	252	279	305	294	292	304	342	360	370	424.5	
IV. Monetary & Capital Market															
Growth Rate of M_1	y-o-y	20.7##	17.1	19.4	9	18.2	10	6	9.2	8.5	11.3	13.5	-3.9###	22.1 (P)	21.0 *
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	6.9###	9.5(P)	10.7 *
Weighted Avg Lending Rate of SCBs	**% (as on 31st March)**	12	11.9	12.3	11.5	10.5	11.4	12.6	12	12	11.8	11.34	10.9		
Bank Credit to commercial sector (%)	**%**	27.3##	26.1	21.1	16.9	15.8	21.3	17.8	13.5	13.7	9.4	10.7	4.2###	9.8(P)	12.5 *
Stock Market (Price Index) (BSE)	**March End 1991=100**	965.8	1119.2	1339.5	831.2	1500.7	1664.9	1490.1	1612.7	1916.7	2393.7	2169.7	2536.1	2822.8	3043.5^^^
Market Capitalization (as leading stock mkt)	**Domestic Currency in Billion**	30221.9	35450.4	51380.2	30860.8	61656.2	68390.8	62149.1	63878.9	74153	101492.9	94753.3	121545.3	142250.0	147516.1^^^
Market Capitalization (as leading stock mkt)	**% of GDP**	81.8	82.5	103	54.8	95.2	87.9	70.4	64	65.8	81.6	68.8	79.7	84.8 **	

Market Capitalization (as leading stock mkt)@@	**Billion US$**	679.4	805.2	1273.2	602.4	1355.2	1520.1	1235.1	1209.6	1215.4	1625.2	1413.8	1874.6@@	2187@@	2166.7^^^@@
V. Banking Sector Indicators															
Capital adequacy ratio#	**%**	12.3	12.3	13	14	14.5	14.19	14.24^	13.9	13.0	13.0	13.3	13.6&		
Non-performing loans#	**%**	3.3	2.5	2.3	2.3	2.4	2.5	3.1	3.2	3.8	4.3	7.5	9.3		
Profitability (R.O.E.)#	**%**	14.8	15.5	16	15.4	14.3	15	14.6	13.8	10.7	10.4	3.6	4.2		
Profitability (R.O.A.)#	**%**	1	1.1	1.1	1.1	1.1	1.1	1.1	1.03	0.8	0.8	0.4	0.35		

P: Provisional Data
#: The data from the year 2011-12 onwards is in new GDP series (with base 2011-12).
##: March 31, 2006 over April 1, 2005
###: March 31, 2017 over April 1, 2016
$: The data from the year 2012-13 onwards is in new GDP series (with base 2011-12).
$$: Domestic saving is a ratio to Gross National Disposable Income (GNDI) from 2011-12 onwards.
$$$: pertains to provisional estimates
*: Data as on May 25, 2018 over May 26, 2017
**: GDP for 2017-18 is Provisional estimates
***: 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.
****: Figures from 2005-06 to 2012-13 correspond to old base year 2004-05=100 and thereafter new base year 2011-12=100.
^: CRAR figures for 2008-09, 2009-10, 2010-11 and 2011-12 are as per the Basel II framework
^^: Pertains to internal debt.
^^^: As on June 20, 2018
@: Budget Estimate
@@: Figures have been arrived at by using RBI's reference rate for the US Dollar
++: 2017-18 data pertains to April-June
&: CRAR figures for 2012-13, 2013-14, 2014-15, 2015-16 and 2016-17 are as per the Basel III framework. All Banking Sector Indicator data are as of March 2017. Source: Financial Stability Report, June 2017

	Unit	**2008-09**	**2009-10**	**2010-11**	**2011-12**	**2012-13**	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**2017-18**
Current Account Balance as percentage of GDP	**%**	-2.3	-2.8	-2.8	-4.2	-4.8	-1.7	-1.3	-1.1	-0.6	-1.9
External Debt as a percentage of GDP	**%**	20.3	18.2	18.2	21.1	22.4	23.9	23.9	23.5	20.2	19.9+
Reserves to Import	**%**	81.69	92.81	79.53	58.86	58.14	65.21	74.11	90.82	94.24	90.52
National Debt to GDP*	**%**	39.7	41.6	40	43.1	44.6	45.4	46.6	47.7	48.1	48.5
Corporate Debt to GDP**	**%**	-	11.6	11.4	11.9	12.9	13	14.1	14.7	15.8	16.3
Domestic	**% of**	49.3	50.1	50.6	52.2	52.9	53.2	52.52	52.99	51.64	----

credit***	**GDP**										
National Output Growth****	**%**	3.9	8.5	10.3	6.6	5.5	6.4	7.5	8	7.1	6.7p
Fiscal Deficit	**% of GDP**	6	6.5	4.8	5.9	4.9	4.5	4.1	3.9	3.5	3.5p

Annex: SAARCFINANCE e-newsletter-Macroeconomic Vulnerability Indicators

Notes:

* National debt includes outstanding government securities, treasury bills (including MSS Issuances), state development loans and UDAY Bonds
Source: SEBI and CCIL.
**Corporate debt includes outstanding corporate bonds only.
***Domestic credit data pertains to End Month Stock of Net Domestic Assets of the Banking System. The information is prepared on institutions' month end reporting.
****National output data from 2005-06 to 2011-12 corresponds to real GDP at market prices (2004-05 base), figures from 2012-13 onwards correspond to GDP at 2011-12 base series.
+ Figure is for end-Dec 2017
p= Provisional Estimates

Maldives

Recent overall macroeconomic developments

NEPAL

RECENT OVERALL MACROECONOMIC DEVELOPMENTS

Real Sector

Nepalese economy is expected to grow by 7.2 percent in the year 2017/18. While the tempo of non-agricultural activities continues to gather momentum, the growth in farm output is likely to be less than expected. A steady growth in electricity generation, improved supply situation and a pick-up in construction activities are expected to help maintain pace in non-agricultural activities. While the torrential summer rains contributed to the growth in maize production, the widespread floods in the plains hit the paddy production. Hence, the overall economic growth is expected to remain satisfactory in 2017/18. The volatility in prices of agricultural items and the behavior of prices of construction materials as well as petroleum products are likely to determine the inflation outlook going forward. However, given the smooth supply situation and the global policy vigilance on prices, inflation is expected to remain below the annual limit of 7 percent.

Price Situation

The consumer price inflation moderated to 4 percent in mid-January 2018 compared to 3.2 percent in mid-January 2017. The data from the initial six months of the current fiscal year shows an inflation of 2.4 percent in food group and 5.3 percent in non-food group, increased from negative growth of 0.7 and positive growth of 6.2 percent in the corresponding period of the previous year. A rise in prices of vegetable, milk product and eggs, fruits, ghee and oil, cereal grains and their products, meat and fish, among others, accounted for an increase in overall food inflation in the review period while the slower growth in prices of clothes and footwear, furnishing and household equipment, health, education, among others, contributed to the deceleration of non-food inflation in the review period.

In the review period, the y-o-y wholesale price index moderated to 2 percent compared to 1.8 percent in the corresponding period of the previous year. The price indices of agricultural commodities, domestic manufactured commodities and imported commodities rose by 1.0 percent, 4.7 percent and 2.2 percent respectively in the review period; this in compared to an increase of 2 percent, 4.8 percent and decrease of 0.8 percent respectively in the corresponding period of the previous year.

External Sector Situation

In the first six months of 2017/18, merchandise exports increased 13.4 percent to NPR 41.14 billion compared to a rise of 14.8 percent in the same period of previous year. Exports to India, China and to other countries increased 13.1 percent, 70.2 percent and 10.3 percent respectively in the review period. Commodity wise, exports of cattle feed, jute goods, vegetable ghee, zinc sheet, thread, among others, increased whereas export of juice, cardamom, G.I. pipes, woolen carpet, copper wire rods, among others, decreased in the review period. The export-import ratio remained 7.7 percent in the review period compared to 7.8 percent in the corresponding period of the previous year.

The workers' remittances decreased 0.5 percent to NPR 340.54 billion in the review periodin contrast to a growth of 5.7 percent in the same period of the previous year. The net transfer receipt decreased 1.7 percent to NPR 393.34 billion in the reviewperiod. Such receipt had increased 5.6 percent in the same period of the previous year.

In the first six month of 2017/18, the current account registered a deficit of NPR 75.71 billion. The deficit in current account was NPR 1.08 billion in the previous year. Similarly, the overall BOP remained at a deficit of NPR 6.66 billion in contrast to a surplus of NPR 45 billion in the same period of the previous year. In the review period, Nepal received capital transfer of NPR 10.07 billion and Foreign Direct Investment (FDI) inflow of NPR 14.33 billion. In the same period of previous year, capital transfer and FDI inflow were NPR 7.93 billion and NPR 7.39 billion respectively.

Fiscal Situation

Government of Nepal's (GoN) budget on cash basis remained at a deficit of NPR 35.47 billion in the first six months of 2017/18 compared to a surplus of NPR 40.22 billion in the corresponding period of the previous fiscal year.

There has been increment in revenue mobilization along with increment in expenditure of GoN in the review period. The government revenue increased by 20.7 percent to NPR 335.10 billion in contrast to a respective increase of 68.9

percent in the corresponding period a year ago. The government recurrent expenditure increased to NPR 303.33 billion from NPR 196.47 billion in the corresponding period of the previous year. Similarly, the government capital expenditure also recorded a rise by 38 percent to NPR 42.72 billion during the review period in contrast to NPR 30.97 billion in the same review period of last year. The growth in the government revenue continues to remain sensitive to high tariff rate related imports.

Monetary Situation

In the review period, broad money supply (M2) increased by 6.7 percent compared to a rise of 8.1 percent in the corresponding period of previous year. On y-o-y basis, in mid-January 2018, M2 expanded by 14.0 percent.

Net foreign assets (after adjusting foreign exchange valuation gain/loss) decreased by 0.7 percent to NPR 6.66 billion in the review period compared to an increase of 4.7 percent to NPR 45 billion in the corresponding period of the previous year. Reserve Money decreased 9.0 percent in the review period compared to a growth of 1.4 percent in the corresponding period of the previous year. On y-o-y basis, the reserve money also recorded an increase by 7.8 percent in mid-January 2018.

In the review period, deposits in the banks and financial institutions (BFIs) increased by 6.9 percent. Out of the total deposits at the BFIs, the share of demand deposits increased from 8.2 percent to 8.4 percent and fixed deposits from 32.8 percent to 42.8 percent in mid-January 2018 compared to a year ago. However, the share of saving deposits decreased to 36.4 percent from 42.1 percent a year ago. On y-o-y basis, the deposits in BFIs increased by 13.7 percent in mid-January 2018.

Similarly, the overall credit disbursement of BFIs also experienced growth by 11.9 percent compared to a rise of 12.9 percent in the corresponding period of the previous year. The private sector credit from commercial banks, development banks and finance companies increased 11.5 percent, 16.6 percent and 4.2 percent respectively. On y-o-y basis, the credit disbursement from BFIs to the private sector expanded by 17.2 percent in mid-January 2018.

In the review period, while the NRB mopped up liquidity amounting to NPR 129.20 billion through deposit collection auctions under interest rate corridor, deposit collection auction, reverse repo auction on a cumulative basis; Rs. 69.33 billion liquidity was injected through repo auction under the interest rate corridor and outright purchase auction; it injected net liquidity of NPR 198.04 billion through the net purchase of USD 1.92 billion from foreign exchange market. In the corresponding review period of the previous year, the amount of mopped up liquidity, injected liquidity and injected net liquidity were NPR 101.10 billion, 15.40 billion and NPR 219.35 billion respectively.

Interest Rate Structure

Both weighted average 91-day Treasury bill rate and inter-bank transaction rates among commercial banks have increased in the six months of 2017/18 compared to the same period of last year. The weighted average 91-days Treasury bill rate increased to 5.82 percent in the review month from 1.74 percent a year ago. Likewise, in the review period, the weighted average inter-bank transaction rate among commercial banks went up to 4.40 percent from 2.71 percent a year ago; the average base rate of commercial banks increased to 9.94 percent in the review period from 7.1 percent a year ago.

HIGHLIGHTS OF MAJOR POLICY ANNOUNCEMENT

The Monetary Policy for the fiscal year 2017/18 was formulated on a number of evolving developments including the recently held local level elections, financial frictions observed in the banking sector, rising imports and latest developments in employment destination countries of Nepali labor force. The monetary policy for FY 2017/18 focused on price stability, financial stability through interest rate stability, credit funneling in productive enterprises and expansion of bank network in all local levels. The major targets for the year ahead has been to contain the inflation at 7 percent maintaining required liquidity to facilitate economic growth rate at 7.2 percent.

The Monetary Policy 2017/18 stances regarding the cash reserve ratios (CRR) of BFIs, concessional loan to earthquake victims, and enhanced financial access have been continued from the previous year. The standing liquidity (SLF) period has been extended to 7 working days from the existing 5 days. Similarly, the loan-to-value (LTV) ratio for this purpose has been fixed up to 90 percent. Under the priority sector lending there has been a policy change for the commercial banks to allocate minimum 25 percent of total credit to priority sector, which include minimum of 10 percent to agriculture, 5 percent to hydropower, and 5 percent to tourism and remaining to other priority sectors. This increment in the priority sector lending is believed to channelize more resources to priority sectors which are key sectors of economic activities to support the economic targets.

Under the operation of the Monetary Policy 2017/18, the interest rate corridor has been timely revised. The provision of taking two weeks' repo rate as a policy rate has been fixed at 5 percent and a provision of taking two weeks' deposit collection rate as a lower bound of the corridor has been fixed at 3 percent. The revision in the interest corridor arrangement is expected to minimize interest rate volatility.

The Monetary Policy 2017/18 has announced to facilitate the establishment of Infrastructure Development Bank through necessary policy provisions such as licensing, regulation and supervision. In terms of the facility that allows the bank and financial institutions to deduct 50 percent of outstanding loan in specified sectors while computing CCD ratio which was introduced during the Mid-term review of MP 2016/17 has been phased-out. Similarly, commercial banks are required to bring down the ratio of institutional deposit to 45 percent of total deposit from the existing 50 percent by mid-July 2018. The Monetary Policy 2017/18 has constricted the limit of real estate loan to 40 percent and residential housing loan to 50 percent of the LTV for the capital city. It is expected that this provision will promote decentralized development in the process of implementing federalism. Meanwhile the maximum LTV ratio for personal vehicle loan has been increased to 65 percent from the existing level of 50 percent. Similarly, such ratio in case of electric vehicles has been increased to 80 percent. This policy address will likely boost the private sector lending.

Also, as regards to the federal structure of the country, the Monetary Policy 2017/18 has facilitated the functioning of respective central bank branches in each state. The policy has added a one year provision to provide an interest free one year loan of Rs. 10 million to BFIs, which open branches in Village

Councils deprived of banking service and open at least 2500 accounts of those Nepali citizens not having bank account. This policy measure is expected to address the Government's campaign of opening bank account of all citizens and providing social security allowance through banks. Similarly, banks are directed to open branches in 744 local levels, which are designed on the basis of the federal structure.

KEY ECONOMIC INDICATORS

Nepal Rastra Bank

Indicator	Unit	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18¤
I. Real Sector															
Per Capita GDP	US$	328	350	410	491	497	610	714	702	708	725	766	748	866	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	3.3	0.4	7.9	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	21.16	24.94	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	28.3	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	14.0	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	56.0	NA
Investment	% of GDP	26.5	26.9	28.7	30.3	31.7	38.3	38.0	34.5	37.0	41	39.1	33.7	45.7	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	40	45.4	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	4.5	4.00
- Food Inflation	%	4.0	7.8	7.2	10.1	16.7	15.1	14.7	7.7	9.6	11.6	9.6	10.9	1.9	2.40
- Non-Food Inflation	%	5.1	8.1	5.5	5.1	9.5	4.9	5.4	9.0	10.0	6.8	5.2	9.2	6.5	5.30
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	4.53	5.75	3.25
Fiscal Deficit (excluding grants)	% of GDP	-5.5	-5.9	-6.3	-6.59	-7.71	-6.69	-6.99	-6.19	-3.28	-2.58	-2.18	-2.7	-4.24	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	-2.2	-4.8	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	25.4	27.7	26.4	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	16.10	17.3	15.6	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	9.2	10.40	10.7	NA
- debt servicing^	% of total	28.2	28.3	26.1	21.15	18.81	15.96	15.10	14.45	16.51	15.12	18.20	15.9	10.9	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	0.66	0.69	0.45
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	7.76	9.34	5.09
Trade Deficit	Billion US$	-1.19	-1.52	-1.77	-2.40	-2.72	-4.09	-4.42	-4.60	-5.25	-6.33	-6.93	-6.61	-8.66	-4.64
Remittances	Billion US$	0.91	1.35	1.42	2.19	2.73	3.13	3.51	4.41	4.93	5.53	6.2	6.25	6.56	3.30
Current Account Balance	Billion US$	0.16	0.20	0.05	0.36	5.39	-0.37	-0.18	0.91	0.63	0.91	1.09	1.32	-0.10	-0.73
Current Account Balance	% of GDP	1.91	2.27	0.45	3.02	4.19	-2.36	-0.94	4.50	3.40	4.57	5.11	6.24	-0.39	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	127.45	139.21
- Foreign Direct Investment	Million US$	1.89	-6.49	5.14	4.52	23.79	38.99	89.96	112.46	102.00	32.50	44.1	55.7	127.45	139.21
- Portfolio Investment	Million US$	-	-	-	-	-	-	-	-	-	-	-	-	-	-
External Debt and Forex Liabilities	Billion US$	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
External Debt and Forex Liabilities	% of forex	NA	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	NA
External Debt Servicing Ratio		NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Exchange Rate@	Per US$	70.35	74.1	64.85	68.5	78.05	74.44	70.95	88.6	95	96.2	101.44	107.03	103.28	101.82
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	10.18	10.51
IV. Monetary & Capital Market															
Monetary **															
Growth Rate of M_1	y-o-y	6.6	14.2	12.2	21.6	27.3	11.1	4.8	18.6	14.4	17.7	19.7	18.5	13.1	10.30
Growth Rate of M_2	y-o-y	8.3	15.6	14.0	25.2	27.3	16.7	12.2	22.7	16.4	19.1	19.9	19.5	15.5	14.00
Growth Rate of M_3	y-o-y	7.9	15.7	13.9	25.0	29.4	15.3	11.6	22.3	16.7	18.4	19.8	19.4	13.9	12.70
Weighted Avg Lending Rate	%	NA	NA	NA	NA	NA	NA	NA	12.4	12.1	10.55	9.62	8.86	11.33	11.79
Credit growth to Private Sector	y-o-y	14.2	14.4	12.3	24.3	29.0	17.9	13.9	11.3	20.2	18.7	19.8	23.7	18.2	11.90
Capital Market															
Stock Market (Price Index)		286.7	386.8	683.9	963.4	749.1	477.7	362.9	389.7	518.3	1036.1	961.2	1718.2	1582.7	1431.10
Market Capitalization (as leading stock mkt)	Domestic	61.4	96.8	186.3	366.2	512.9	376.9	323.5	368.3	514.5	1057.2	989.4	1890.13	1856.8	1671.61
Market Capitalization (as leading stock mkt)	% of GDP	10.4	14.8	25.6	44.9	51.9	31.6	23.7	24.1	30.4	54.4	46.6	84	71.4	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	17.48	16.23
V. Banking Sector Indicators															
Capital adequacy ratio	%	NA	NA	NA	NA	7.2	9.6	10.6	11.5	13.2	11.3	12.92	11.52	14.07	14.07
Non performing loans	%	NA	NA	NA	NA	3.6	2.5	3.2	2.6	2.6	3.8	3.33	2.19	1.81	1.98
Profitability (R.O.E.)	%	NA	NA	NA	NA	NA	NA	NA	11.4	13.2	20.11	22.72	22.8	17.71	7.60
Profitability (R.O.A.)	%	NA	NA	NA	NA	NA	NA	NA	1.24	1.44	1.59	1.70	1.86	1.82	0.85

Fiscal year in Nepal starts at mid - July

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

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

Foot Notes:

* = Includes both gross domestic and external borrowing

= Gross domestic debt .

^ = Includes both domestc and external debt servicing.

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

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

P= Provisional Figures

¤ Mid-Jan 2018

1	CA as a percentage	4.6	4.0	2.4	2.7	2.0	2.2	-0.1	2.9	4.2	-2.4	-0.9	5.0	3.4	4.6	5.1	6.2	-0.4
2	External debt as pe	-	47.9	45.4	43.4	37.3	35.8	29.8	30.6	28.0	21.5	19.0	20.3	19.7	17.7	16.1	17.0	15.8
3	Reserve as percent	51.2	61.6	61.9	68.2	60.1	64.4	56.1	62.5	65.5	47.3	47.3	73.2	71.3	71.5	79.6	100.2	81.8
4	National debt as pe	-	63.9	61.9	59.4	52.1	49.5	43.4	44.3	40.3	33.5	32.1	33.9	31.9	27.9	25.4	27.4	26.7
5	Domestic credit as	42.6	45.1	46.4	46.8	48.4	50.1	50.2	54.2	56.7	54.9	66.6	65.1	68.8	66.9	71.7	80.3	83.0
6	Fiscal deficit as per	-	6.4	5.6	5.1	5.5	5.9	6.3	6.6	7.7	6.7	7.0	6.2	3.5	3.6	5.8	5.2	13.3
7	Inflation (12 mont	2.4	2.9	4.7	4.0	4.5	8.0	5.9	6.7	12.6	9.6	9.6	8.3	9.9	9.1	7.2	9.9	4.5

PAKISTAN

RECENT OVERALL MACROECONOMIC DEVELOPMENTS

Overview

Half way through the fiscal year 2017-18, prospects of Pakistan's economy surpassing last year's growth rate appear strong. Inflation remained low and fiscal position consolidated on the back of a rebound in revenue collection. However, there are noticeable imbalances in country's balance of payments. The persistent vibrancy in domestic economic activities explained much of these imbalances, as an improved performance by all the major sectors pushed up the import demand. In particular, largescale manufacturing (LSM) growth touched a 4-year high during H1-FY18, as upbeat demand for consumer durables and construction inputs induced manufacturing firms to flex their capacities. Agriculture too is expected to perform well, as a number of major crops gained from both an increase in area under cultivation as well as improving yields.

While the economy continued to benefit from higher development spending by the government, accommodative monetary policy and progress on CPEC-related projects, an added impetus to growth came from the consolidation in global economic recovery. These global developments had multiple spillover effects on Pakistan's economy. On the positive side, the export growth stretched its eight-month-long unbroken run into December. Not only did this provide stimulus to production and investment activity in key exporting sectors, it also lent some support to the country's stressed balance of payments, and especially, its outlook over the medium term. Similarly, workers' remittances not only stabilized, but recorded a modest growth, on the back of higher inflows from the UK, US and

Dubai. On the flip side, the recovery in the global economy triggered buoyancy in the commodity market – oil prices rallied to a 3-year high as OPEC members exercised more disciplined production cuts amid rising demand. Industrial metal prices too surged steeply as demand outpaced the supplies.

1.1 Real Sector

Real GDP growth is expected to surpass last year's decade-high growth rate of 5.3 percent. While all the major kharif crops performed well, wheat production came under pressure due to non-availability of sufficient water, and a reduction in area under cultivation as compared to last year.

Similarly, on the industrial front, LSM growth decelerated to 1.6 percent during Q2-FY18 relative to a healthy 9.9 percent growth achieved in the first quarter. This was mainly on the back of delayed commencement of sugarcane crushing. Barring sugar, however, the performance of the industrial sector was encouraging, with a fairly broad-based sense of optimism. The overall LSM growth during H1- FY18 (5.5 percent) was appreciably higher than that observed during the corresponding period last year (4.0 percent).

The services sector, meanwhile, is expected to match its last year's impressive performance, based on an analysis of the leading indicators pertaining to the period under review. Improved performance of the commodity producing sectors, coupled with increasing import quantum, would benefit the wholesale subsector, while a rise in sales of commercial vehicles, together with higher credit offtake, indicates optimism of the transport sector players.

1.2 Inflation and Monetary Policy

Inflation

On average, food inflation kept the overall inflation low despite pressures arising from consumer spending and higher oil prices in the country. Meanwhile, core inflation remained higher on average in H1-FY18, compared to the same period last year due to a continuous increase in education and healthcare costs. However, its pace has stabilized in recent months.

Monetary Policy

The Monetary Policy Committee (MPC) during the second quarter deliberated on inflation trends and identified some factors, such as expectations of an uptick in inflation and external sector vulnerabilities, which would be critical going forward. Taking stock of the situation, the MPC decided to keep the policy rate unchanged in November 2017.

Slow down in private sector credit expansion owing to maturing investments, along with the consolidation of the fiscal account lead to a significant deceleration in net domestic assets (NDA) of the banking system. In effect, a part of the decline in NDA was offset by a proportionate increase in the net foreign assets (NFA) of the banking system. In overall terms, broad money supply (M2) witnessed a 9-year low expansion of Rs. 336.4 billion during H1-

FY18, compared to an increase of Rs 645.9 billion in the corresponding period last year.

1.3 Fiscal Sector

The growth in revenue collection outpaced the increase in expenditures in H1-FY18, resulting in a broad-based improvement in fiscal indicators. The overall fiscal deficit was contained at 2.2 percent of GDP, down from last year's level of 2.5 percent. The revenue deficit also declined from 0.8 percent of GDP to 0.4 percent and the primary deficit was further contained to 0.1 percent of GDP during H1-FY18 as compared to 0.5 percent last year.

1.4 Balance of Payments

While the real sector of the economy presents an encouraging picture, the external account remained a cause of concern from the macroeconomic stability standpoint. Despite the much-needed recovery in exports, Pakistan's balance of payments continued to reel under the pressure of surging imports. The current account deficit increased to US$ 7.9 billion in H1-FY18, from US$ 4.7 billion in the same period last year. Higher financial inflows compared to last year, albeit welcome, proved insufficient to rein in the decline in the country's FX reserves.

On the export front, Pakistan's half-yearly growth in exports encouragingly returned to the double-digit territory for the first time since H2-FY11. Going forward, a continuously strengthening global economy, recent PKR depreciation, and supportive government policies are likely to support export growth. Imports surged to US$ 28.7 billion in H1-FY18 (customs records), fueled by rising global oil prices and vibrant domestic consumption.

Besides machinery imports (which, in contrast to its strong growth trend of the past couple of years, posted a YoY decline of 2.9 percent), almost all the major commodity groups exhibited high growth. Transport-related imports spiked by 43.0 percent, petroleum by a third, and those of the metal group by 30.9 percent. The resultant worsening in the trade account was only partly offset by the rise in workers' remittances.

The decline in inflows from Saudi Arabia, Pakistan's largest remittances corridor, has been offset by higher inflows from the advanced western economies. Going forward, as policies in the Kingdom become more stringent for foreign workers, remittances from this corridor are expected to remain under pressure.

With a drop in private and official financial inflows, the burden of financing the current account fell on country's FX reserves. The maturing external debt obligations and the consequent drop in the FX reserves during H1-FY18 made it inevitable for the country to resort to the international capital market. Consequently, Pakistan floated a Eurobond and Sukuk for a cumulative US$ 2.5 billion in December 2017.

Key Macroeconomic Indicators (in million USD)	2018 First Half (July-Dec)	2017	2016	2015
A-Real sector				
Inflation (%)	3.8	4.2	2.9	4.5
Real GDP (%)		5.37	4.56	4.06
Nominal GDP		305,278	278,929	270,935
Per Capita income (US $)		1632.1	1529.4	1514.0
B-External Sector				
1.Current Account	-7,920	-12,621	-4,867	-2,795
Goods and services	-17,315	-31,019	-22,689	-20,237
Primary income	-2,511	-5,048	-5,347	-4,599
Secondary income	11,906	23,446	23,169	22,041
2. Capital Account	158	375	273	375
3. Financial Account	-6,364	-10,198	-6,790	-5,074
Direct investment	-1,489	-2,663	-2,286	-915
Portfolio investment	-2,240	250	429	-1,886
Other investment	-2,635	-7,785	-4,933	-2,271
Net errors and omissions	-462	102	456	-8
Reserves assets	-1,860	-1,844	4,661	4,595
C- Monetary Sector				
Currency in circulation	35,484	37,206	31,755	25,038
Net international reserves				
Reserve assets				
Reserve liabilities				
Commercial banks deposits in foreign currency	6,862	6,525	5,848	6,072
Nonresident deposits in foreign currency	446	451	491	410
Use of fund resources	0	102	2,009	1,949
D-Fiscal Sector				
Overall balance- Federal Govt. (Mill. PKR)		1,778,542	1,703,084	1,637,805
Total revenue including Grants				
Total Grants				
Total Expenditure-Federal Govt. (Mill. PKR)		4,361,783	3,921,067	3,761,666
Total Operating Expenditures				
Total Development Expenditure- Federal Govt.		849,071	717,722	627,674

(Mill. PKR)				

Data Sets	Vulnerability Indicators	Data Definition/Description	Units	Frequency	
1	Domestic credit	Domestic credit =End Month Stock of Net Domestic Assets of the Banking System. The information is prepared on institutions' month end reporting.	Rs. In Million	Quarterly	State
2	GDP (MP)	Gross domestic product at market prices	Rs. In Million	Annual	Paki
3	Domestic credit % of GDP		Percent	Quarterly	State
4	Current Account Balance as a percentage of GDP	Current Account Balance as per BPM6 in term of Gross Domestic Product Market Price	Percent of GDP	Quarterly	SBP
5	External Debt as a percentage of GDP	External Debt includes External Liabilities Gross Domestic Product Market Price	Percent of GDP	Quarterly	SBP
6	Reserves as a percentage of Import	Net reserves with SBP to average monthly import (BOP) during quarter/year	Percent	Quarterly	SBP
7	Fiscal Deficit as percentage of GDP	Difference of cummulative revenue and expenditure Government during the year expressed in percentage of GDP. E.g Q1: Jul-Sep Q2: Jul-Dec Q3: Jul-Mar Q4: Jul-Jun	Percent	Quarterly	Min
8	Inflation	Rate of change in the average prices of goods and services during twelve months period compared to corresponding twelve months period	Percent	Monthly	Pak Sta
8	National Debt	National Debt = Government Domestic Debt + Government External Debt + Government External Debt from IMF	Rs. In Billion	Annual/Quarterly	Sta Pak

SRI LANKA

Performance of the Sri Lankan economy in 2017

The stabilisation policy measures taken by the Central Bank and the government in the past two years resulted in a number of notable improvements, although real economic growth faltered and recorded a multiyear low during 2017. The monetary policy stance of the Central Bank that was gradually tightened since end 2015, was tightened further in March 2017 by raising the key policy interest rates of the Central Bank by 25 basis points. Increasing market interest rates were allowed to stabilise at high levels. Nevertheless, the improvements in relation to the government securities market, which corrected some distortions that prevailed in 2015 and 2016, resulted in a significant decline in yields on government securities, thus exerting a downward effect on some market interest rates towards the end of the year. The high nominal and real interest rates, together with supportive macroprudential measures, prompted a gradual deceleration in the growth of monetary aggregates in 2017. This deceleration was effected via more active open market operations (OMOs) through which the Central Bank maintained appropriate levels of liquidity in the domestic money market by reducing the Central Bank holdings of government securities substantially in order to offset the impact of the rapid buildup of net foreign assets (NFA) of the banking system due to net purchases of foreign exchange inflows by the Central Bank. While active OMOs helped the Central Bank to maintain short term interest rates, particularly the interbank call market rate, at desirable levels, the enhanced monetary policy communication strategy helped anchor inflation expectations, despite higher than expected headline inflation driven by supply side disturbances.

Several measures were introduced to deepen and develop the domestic foreign exchange market further during the year. Such measures helped the Central Bank to purchase a significant amount of foreign exchange from the domestic market without creating excess volatility in the exchange rate, while facilitating a market based exchange rate aligned with macroeconomic fundamentals. Consequently, gross official reserves increased to US dollars 8.0 billion by end 2017 with an accompanying qualitative improvement. The overall balance of the balance of payments (BOP) recorded a surplus of US dollars 2.1 billion in 2017 after two years of deficits, as a result of significant inflows to the financial account. Substantial inflows were observed in the form of debt capital, while foreign direct investment (FDI) recorded the highest ever inflows in 2017 supported by improving investor sentiments. In the external current account, although earnings from exports increased to the highest levels recorded, the increase in imports, mainly arising from drought related imports of petroleum and rice as well as increased importation of gold, caused a wider trade deficit. Although inflows on account of services exports including tourism, and workers' remittances continued to cushion the impact of the widened trade deficit to some extent, the current account recorded a deficit of 2.6 per cent of GDP during the year. The Sri Lankan rupee depreciated against the US dollar by 2.0 per cent during the year, while the real effective exchange rate indices also depreciated, raising the competitiveness of the currency. Such a fairly-valued currency in real terms, is expected to enable a gradual adjustment of the current account deficit of the BOP in the period ahead.

In relation to public finance, the revenue based fiscal consolidation programme continued, resulting in increased tax revenue as a percentage of GDP as well as a surplus in the primary account, which reflects the difference between revenue and non-interest expenditure, for the first time since 1992 and only the second time since 1955. Nevertheless, revenue collection was lower than expected, while government spending was affected by the need to provide relief to the people affected by inclement weather conditions, and also by the rising interest payments. This resulted in an expansion in the overall budget deficit to 5.5 per cent of GDP. While the surplus in the primary account helped reduce the central government debt as a percentage of GDP to a certain extent, relatively high real interest rates in the government securities market compared with real GDP growth contained further favourable adjustment in public debt dynamics. The continued generation of higher primary surpluses, together with increased real GDP growth and moderate real interest rates, is expected to generate favourable public debt dynamics at a faster pace in the future.

Adverse weather conditions and their spillover effects continued to affect real economic activity, and the economy surprised to the downside by recording a growth of 3.1 per cent in real terms. This was significantly below projections of the Sri Lankan authorities as well as international agencies. In spite of the low real GDP growth, the economy created sufficient employment opportunities that induced a further reduction in the unemployment rate to 4.2 per cent during the year. In terms of expenditure, growth was supported by the expansion of both consumption and investment expenditure in 2017, while net external demand continued to weigh on growth negatively. Both services and industry related activities, which together account for 92.4 per cent of gross value added, recorded growth rates of below 4 per cent. The agriculture related activities recorded a negative growth for the second consecutive year, although estimates for Quarter 4, 2017 indicated a recovery in the sector.

Headline inflation displayed twin peaks during the year, with the first peak in March 2017 and the second in October 2017, and remained above the desired mid-single digit levels in most months due to double digit food inflation. However, core inflation moderated gradually during the year, as monetary policy measures to contain inflation took effect. With the moderation of food inflation, headline inflation decelerated considerably by the first quarter of 2018, and the favourable inflation and inflation outlook as well as the weak real GDP growth prompted the Central Bank to signal an end to the tightening cycle of monetary policy, by lowering the upper bound of the policy interest rate corridor by 25 basis points in April 2018.

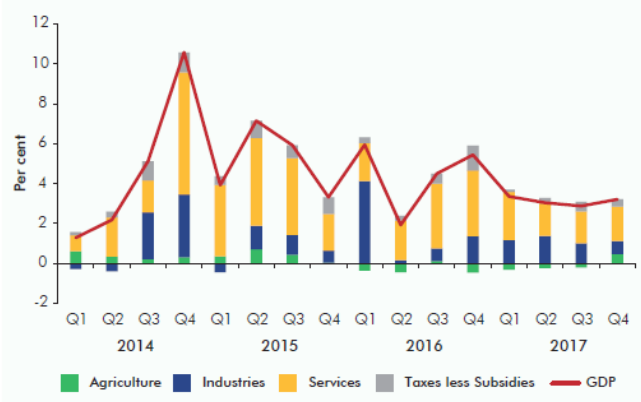
Meanwhile, with the exception of a few small non-bank financial institutions, the financial sector performed well amidst measures taken by the authorities to ensure the stability of the financial sector and to strengthen financial markets and related infrastructure. Several initiatives were taken to address possible forbearance in regulation and supervision, particularly in relation to non-bank financial institutions and primary dealers in government securities. Stronger enforcement mechanisms were introduced to take prompt action against any non-compliance of regulations. The rule based and transparent auction mechanism for government securities helped reduce the volatility in interest rates and helped the smoothing out of bunching up domestic debt maturities. The new Active Liability Management Act (ALMA) is expected to provide greater flexibility in managing future bunching of both domestic and external debt.

Furthermore, the Extended Fund Facility programme with the International Monetary Fund (IMF-EFF) progressed, with the economy achieving the end year targets in relation to net international reserves, the government's primary balance, and inflation.

Addressing the weak growth performance of the economy through the implementation of required growth supporting reforms will remain a priority. Sri Lanka has advanced gradually to reach a per capita GDP of US dollars 4,065 by 2017, establishing itself as a middle-income economy. However, the country can progress further only if policymaking remains rational with a long-term focus on greater public good, while minimising policy swings motivated by short term political gains. Therefore, it is essential that the envisaged reforms are institutionalised to ensure their sustainability, enabling the country's unhindered progression under increasingly challenging global and domestic conditions. In this regard, notable progress has already been achieved in terms of implementing the Inland Revenue Act (IRA), enacting the ALMA and the Foreign Exchange Act, and reaching a consensus with regard to improving the independence of the Central Bank andfacilitating the move towards flexible inflation targeting (FIT) by 2020. Much remains to be done in relation to strengthening public financial management and ensuring fiscal sustainability through the adoption of binding fiscal rules, and also with regard to the implementation of a trade and investment facilitation framework that could enhance the country's overall productivity and effectively link the Sri Lankan economy to global production networks. The formulation and implementation of policies must also take into consideration the effect of such policies on the vulnerable segments of the population as it is the poorest of the society who suffer most from failed policy experiments.

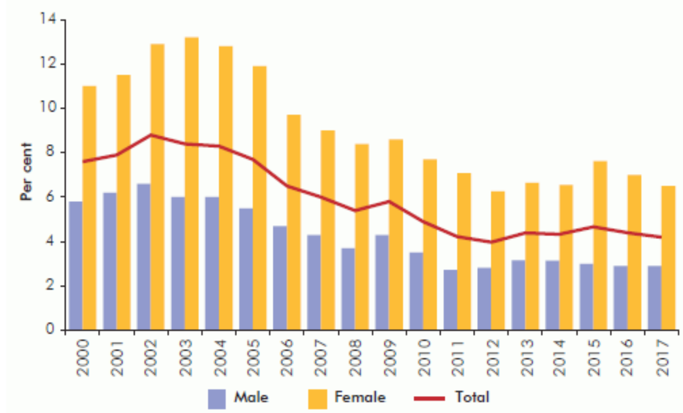
Several existing and emerging challenges need to be addressed for the country to achieve high economic growth and sustainable economic development over the medium term and beyond. Whilst the commitment of the government is essential to implement the envisaged reforms, increased private sector participation in productive economic activity is also vital in the country's progress as a middle-income economy. Proactive policy measures implemented in a timely manner with increased consistency and focus will enable effective and sustainable utilisation of resources resulting in an efficiency driven growth process, which would facilitate improved welfare of the general public in the country.

Activity-wise Contribution to GDP Growth



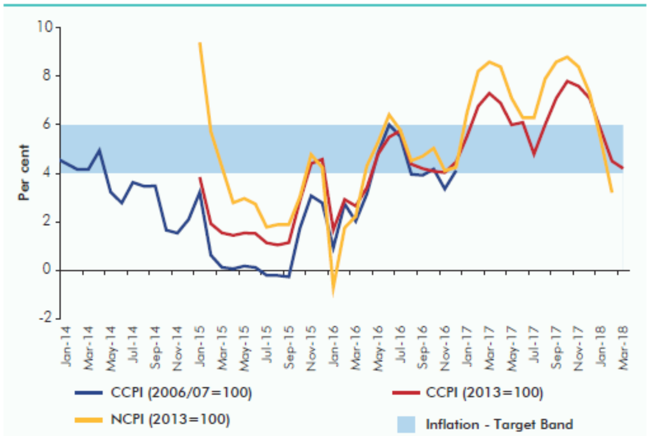
Source: Department of Census and Statistics

Unemployment Rate



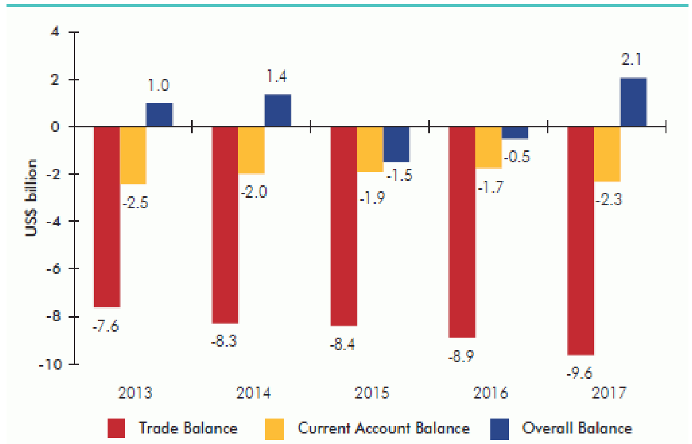
Source: Department of Census and Statistics

Headline Inflation (Year-on-Year)



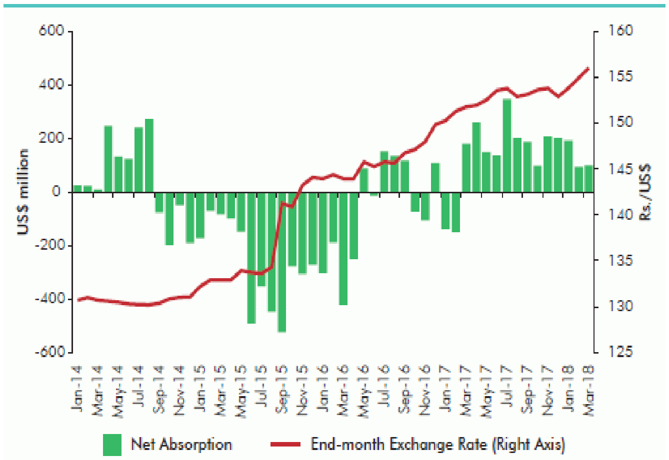
Sources: Department of Census and Statistics
Central Bank of Sri Lanka

Balance of Payments



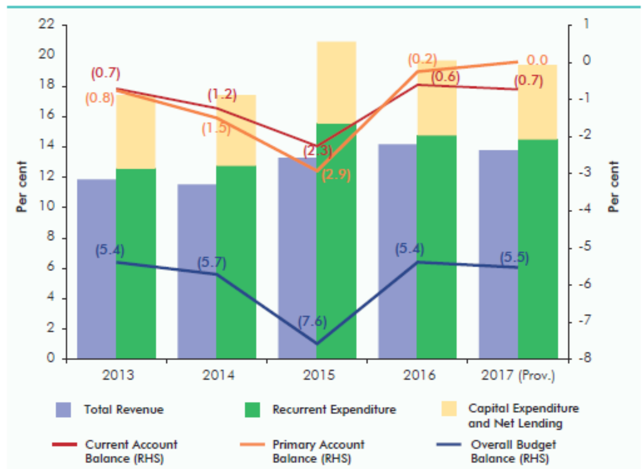
Source: Central Bank of Sri Lanka

Central Bank Intervention in the Domestic Foreign Exchange Market and the Exchange Rate



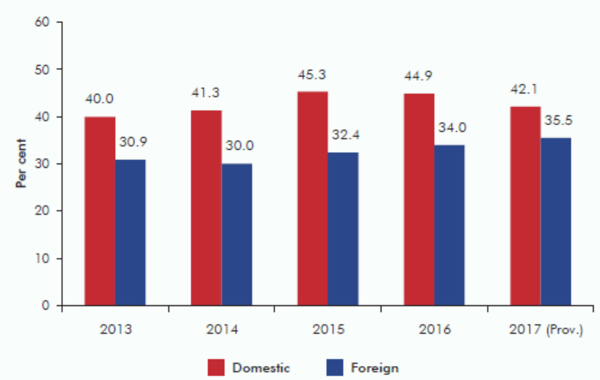
Source: Central Bank of Sri Lanka

Summary of Fiscal Sector Performance
(as a percentage of GDP)



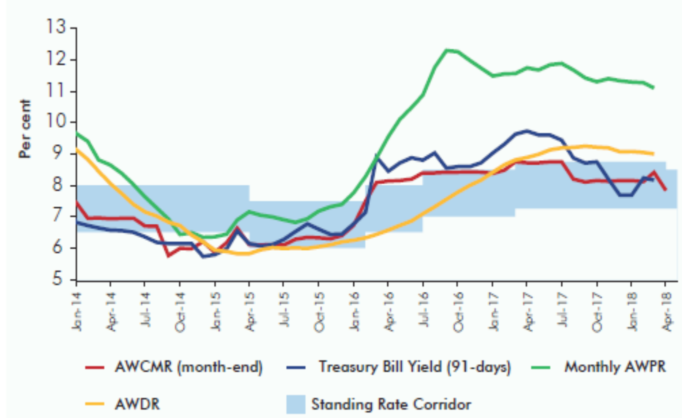
Source: Ministry of Finance and Mass Media

Central Government Debt
(as a percentage of GDP)



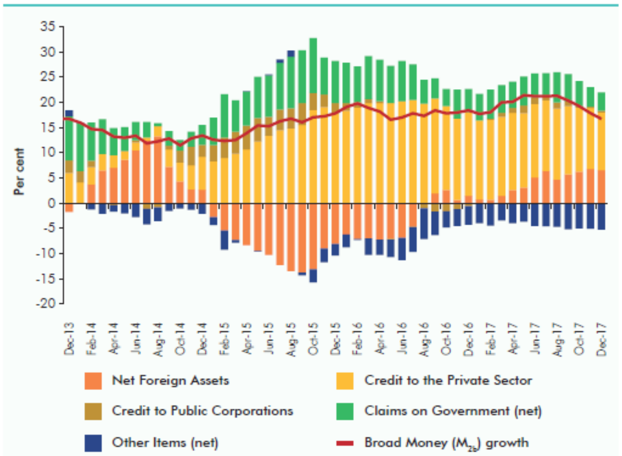
Sources: Ministry of Finance and Mass Media
Ministry of National Policies
and Economic Affairs
Central Bank of Sri Lanka

Standing Rate Corridor and Selected Market Interest Rates



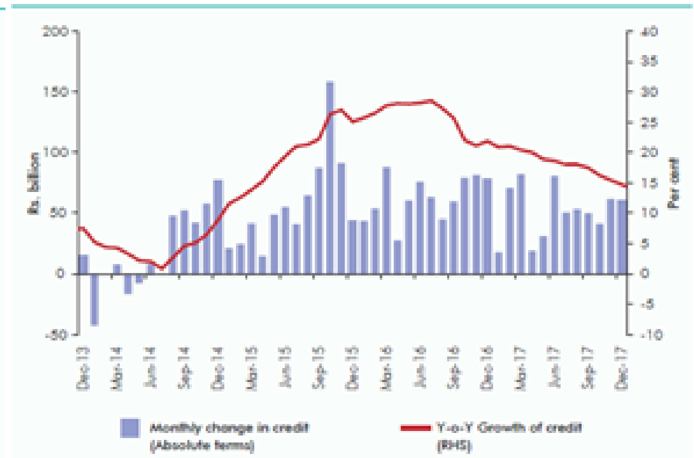
Source: Central Bank of Sri Lanka

Broad Money Growth and Contribution



Source: Central Bank of Sri Lanka

Credit Granted by Commercial Banks to the Private Sector



Source: Central Bank of Sri Lanka

Medium Term Macroeconomic Framework (a)

Indicator	Unit	2016 (b)	2017 (c)	Projections				
				2018	2019	2020	2021	2022
Real Sector (d)								
Real GDP Growth	%	4.5 (c)	3.1	5.0	5.5	6.0	6.0	6.0
GDP at Current Market Price	Rs. bn	11,907 (c)	13,289	14,515	16,015	17,817	19,819	22,053
Per Capita GDP	US$	3,857 (c)(e)	4,065	4,340	4,665	5,075	5,547	6,095
Total Investment	% of GDP	35.0 (c)(f)	36.5	32.5	33.0	33.5	34.0	34.5
Domestic Savings	% of GDP	27.6 (c)(f)	29.3	26.1	27.3	28.6	29.6	30.9
National Savings	% of GDP	32.8 (c)(f)	33.9	30.3	31.0	31.7	32.4	33.2
External Sector								
Trade Gap (d)	% of GDP	-10.9	-11.0	-11.3	-10.9	-10.3	-9.6	-8.7
Exports	US$ mn	10,310	11,360	12,614	14,070	15,743	17,692	19,961
Imports	US$ mn	19,183	20,980	23,149	25,119	27,234	29,436	31,800
Current Account Balance (d)	% of GDP	-2.1 (g)	-2.6	-2.2	-2.0	-1.8	-1.6	-1.3
External Official Reserves	Months of Imports	3.8	4.6	4.8	4.5	4.4	4.6	4.7
Fiscal Sector (d)								
Total Revenue and Grants	% of GDP	14.2 (h)	13.8	15.7	15.9	16.4	17.0	17.4
Expenditure and Net Lending	% of GDP	19.6 (h)	19.4	20.4	19.8	20.0	20.5	20.9
Current Account Balance	% of GDP	-0.6 (h)	-0.7	0.5	0.9	1.4	1.9	2.3
Primary Balance	% of GDP	-0.2 (h)	0.0	1.0	2.0	2.4	2.4	2.6
Overall Budget Deficit	% of GDP	-5.4 (h)	-5.5	-4.8	-3.9	-3.5	-3.5	-3.5
Central Government Debt	% of GDP	78.8 (h)	77.6	77.4	74.8	71.7	69.0	69.0
Monetary Sector and Inflation								
Broad Money Growth (M_{2b}) (i)	%	18.4	16.7	15.1	13.5	13.5	12.5	12.5
Private Sector Credit Growth (in M_{2b}) (i)	%	21.9	14.7	13.5	15.0	15.0	15.0	15.0
Annual Average Inflation (j)	%	4.0	6.6	4.0	5.0	5.0	5.0	5.0

(a) Based on information available up to mid-April 2018.
(b) Revised
(c) Provisional
(d) The data is based on the base year 2010 GDP estimates of the Department of Census and Statistics.
(e) Estimates updated with the latest population figures.
(f) Total investment, domestic savings and national savings as a % of GDP in 2016 were revised by the Department of Census and Statistics from 31.5%, 23.8% and 28.9%, respectively.
(g) The difference between the BOP estimate and the GDP estimate is due to the time lag in compilation.
(h) Based on revised GDP estimates for 2016 made available on 20 March 2018 by the Department of Census and Statistics.
(i) Year-on-year growth based on end year values.
(j) Based on CCPI (2013=100)

Sources: Department of Census and Statistics
Ministry of Finance and Mass Media
Ministry of National Policies and Economic Affairs
Central Bank of Sri Lanka

Sr. No	Items	2017	2016	2015	2014	2013	2012	2011	2010
		Sri Lanka	Sri Lanka	Sri Lanka	Sri Lanka	Sri Lanka	Sri Lanka	Sri Lanka	Sri Lanka
1	Current account balance as a percentage of GDP	-2.6	(2.1)	(2.3)	(2.5)	(3.4)	(5.8)	(7.1)	(1.9)
2	External debt as a percentage of GDP	59.5	56.8	55.7	54.1	53.7	54.2	50.2	37.8
3	Reserve as a percentage of GDP	9.1	7.40	9.1	10.3	10.1	10.4	10.3	12.7
4	National debt as a percentage of GDP	77.6	78.8	77.6	71.3	70.8	68.7	71.1	71.6
5	Domestic credit as a percentage of GDP (a)	56.5	56.0	52.3	44.8	43.8	42.3	42.1	35.3
6	Fiscal deficit as a percentage of GDP	-5.5	(5.4)	(7.6)	(5.7)	(5.4)	(5.6)	(6.2)	(7.0)
7	Inflation (12 month average)	6.6	4.0	**2.2**	**3.3**	**6.9**	**7.6**	**6.7**	**6.2**

Note :
.. : Data is not compiled by the country for given frequency.

(a) Revised