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CONTENTS PAGE

Message from the Chairperson of SAARCFINANCE Network

In accordance with the decision of 14th SAARCFINANCE Group Meeting held in Singapore on 20th September 2006, the responsibility of publishing the bi-annual *e-Newsletter* rests on the central bank Governor who acts as the Chairperson of SAARCFINANCE in rotation.

During the 29th SAARCFINANCE Group Meeting held at Washington DC on 9th October 2014, the Chair of SAARCFINANCE was shifted to the State Bank of Pakistan from the Nepal Rastra Bank. Accordingly, the State Bank of Pakistan is now publishing the seventeenth issue of the *e-Newsletter*. This volume covers broad developments in member countries during the second half of 2014, which include recent macroeconomic developments, major policy announcements, key economic indicators, and country-wide activities that have taken place under the aegis of SAARCFINANCE Network. I trust, the member countries would find this *e-Newsletter* useful.

I would like to take this opportunity to express my sincere gratitude to my fellow Governors, Finance Secretaries, SAARCFINANCE Coordinators, Alternate Coordinators, Focal Points at respective Ministries of Finance, and officials of SAARC central banks, who have been instrumental in enhancing the activities of SAARCFINANCE in recent years. However, we need to take fresh initiatives and expedite the creation of roadmap for SAARCFINANCE, which can help set the direction of its future activities.

The recent initiative for collaborative research studies by member countries is indeed worth appreciating. Nevertheless, we should ensure timely completion of the proposed studies in addition to enhancing the skills of team members in different areas of economic research. We should also leverage the IT infrastructure at member central banks for the exchange of information, and to share experiences/ideas covering issues that could have adverse implications for regional economies.

I believe that the regional forums, such as SAARCFINANCE, can play an important role in promoting cooperation between member countries.

Ashraf Mahmood Wathra
Governor, State Bank of Pakistan
Chairperson, SAARCFINANCE Network

OBJECTIVES OF SAARCFINANCE

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

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

COUNTRY REPORTS

AFGANISTAN

RECENT OVERALL MACROECONOMIC DEVELOPMENTS

Economic Growth

The FY 2014 was a challenging year for the Afghan economy. Economic growth was overshadowed by the political and security uncertainties. The country experienced a decline in the economic growth over the fiscal years of 2013 and 2014. The real GDP growth is estimated to slow down, below 3 percent in 2014 from 6.4 percent in the preceding year. The fall in the level of economic activities can largely be attributed to the ever increasing uncertainty over security transition and the political instability stemming from the prolonged 2014 presidential election in the country.

Over the FY1393 (2014), agriculture was the main driver of economic growth in Afghanistan. While other sectors of the economy were suffering from a weak business confidence, emanating from the political and security related that were explained earlier, the agriculture and livestock sector had a desirable performance. Favorable weather conditions and the adequate rainfalls were the main factors contributing to the rise in agricultural products in 2014.

Unlike agriculture sector, manufacturing and services sectors recorded a weak performance over the fiscal year 1393 (2014). The weak performance in these sectors is highly correlated with a considerable decline in investment levels, emanating from the aggravated business confidence in the country. A considerable fall in the aggregate demand as well as an increase in import of similar products, reduced the demand for the outputs of the domestic manufacturing sector.

Similar to manufacturing, the services sector, the main contributor to GDP (around 51%), was also not immune from the negative impacts of the ongoing uncertainties in the country. The growth rate of this sector declined to about 6 percent in 2013 and 2014 from 16 percent in the fiscal year 2012. All sub-sectors of the services recorded a dramatic decline in the levels of their activities. For instance, real estate experienced a considerable decline in the volume of sales, rental and mortgage transaction over the year.

Inflation Developments

Afghanistan enjoyed a period of low inflation environment from the second half of the fiscal year 2013 up to the end of fiscal year 2014. The national headline inflation was recorded at 1.3 percent (y-o-y) in the month of December 2014, which is far below its level of 7.2 percent in the same period of the previous year.

Observing the data, it is easily recognizable that the decline in the inflation rate over this period is due to a sound monetary policy and a noticeable decline in the prices of the non-food component of the CPI. The inflation rate in the non-food section has declined from 4.7 percent (y-o-y) in December 2013 to a deflation rate of 0.5 percent in December 2014. Among the all non-food items, the housing subcomponent, which carries the greatest weight, declined remarkably from an inflation rate of 1.8 percent (y-o-y) at the end of FY 2013 to a deflation rate of 9.7 percent at the end of the FY 2014. A set of factors, including lower demand for rental houses and a weaker business confidence due to the prevailing political uncertainty in the country, can be thought as the important reasons for such a considerable price fall in this subcomponent of CPI. In contrast to the housing and fuel subcomponent, furnishing & household goods and transportation subcomponents of the non-food section have experienced a rise in the level of their inflation over the same period.

The inflation rate in the food and beverage component of the national CPI, which carries the highest weight in the CPI basket, has fallen considerably from 9.6 percent (y-o-y) in 2013 to 2.9 percent at the end of

FY1393 (Dec. 2014). Bread & cereals, meat, milk, and vegetables are the key and the highest weighted subcomponents of the food sub-index of the CPI. Comparing the current figures to that in the last year, an overall favorable inflationary trend is observed. Bread and cereals registered an inflation rate of 8 percent, compared to 9 percent in the previous year. Similar to the bread & cereals, other subcomponents, including meat, milk, cheese & eggs, and vegetables have also experienced a decline over the same period, November 2013 to November 2014.

Monetary Sector Developments

The primary objective of Da Afghanistan Bank (DAB) is to achieve and maintain the price stability. To achieve its primary goal and to avoid a prolonged inflation or deflation, Da Afghanistan Bank targets reserve money (RM) as its operational target and uses the foreign exchange and open market operations as the main instruments to conduct a prudent monetary policy.

Broad money (M2) grew at a relatively stable rate in the FY2014 compared to the previous year. M2 witnessed an increase of 8.3 percent (y-o-y) in the FY2014 compared to 9.4 percent in the fiscal year 2013. The increase in broad money was primarily driven by an expansion in (M1), which registered a growth of almost 9.5 percent in the fiscal year 2014. Meanwhile, quasi money or time deposits of commercial banks, the other component of broad money, saw a decline of 12.8 percent (y-o-y). The impact of the decrease in quasi money on broad money was minimal since it accounts for less than 5 percent of broad money.

In the fiscal year 2014, the national currency witnessed 4 percent depreciation against the U.S. dollars. Responsible factors to this depreciation are thought to be the uncertain economic and political environment, huge trade deficit, and concerns over the security transition and the withdrawal of foreign troops from Afghanistan. In the fiscal year 2014, afghani depreciated by 3.7 percent against the US dollar. At the beginning of the year, afghani was traded at 56.23 per USD, while at the end the year it was trading at 58.32 AF/USD.

Fiscal Developments

Afghanistan national budget for FY 1393 (2014) was designed under the assumptions of the medium term fiscal framework to achieve national development goals; to build a self-reliant economy, and to improve poverty in the country.

Core budget/national budget for the FY1393 (2014) was AF 440.978 billion, of which the operating budget was AF 288.61 billion, and the development budget was AF 152.371 billion.

The share of the operating budget in the core budget remained almost the same as that in the last year. Operating budget as percent of the core budget was 65 percent, while, the share of the development budget in the core budget was 35 percent, almost the same as that in the previous year.

The execution rate of total core budget for the second half of the FY1393 (2014) was 67 percent as compared to 73 percent recorded in the same period of last year (2013). For the last six months of FY1393 (2014) the execution rate of development budget was 46 percent, while it was 47 percent in the same period of the preceding year. Similarly; the execution rate of operating budget was 79 percent, compared to 91 percent in the last six months of FY1392.

KEY ECONOMIC INDICATORS OF AFGHANISTAN

	Unit	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014
I. Real Sector												
Per Capita GDP	US$	242.2	281.1	312.6	426.0	426.0	504.7	628.6	709.0	780.0	772.0	-
Real GDP Growth	%	2.3	9.9	9.2	16.1	2.3	17.2	3.2	8.7	10.9	6.4	1-3 prj
GDP (Nominal)	Billion US$	5.6	6.6	7.5	10.4	10.6	12.9	16.3	18.8	21.0	21.2	21.7 Prj.
Agriculture	% of GDP	33.3	34.2	32.7	33.6	27.7	31.1	27.8	27.0	25.4	24.6	-
Industry	% of GDP	24.5	25.2	26.2	25.2	25.6	21.2	20.6	21.6	20.5	19.7	-
Services	% of GDP	39.5	37.7	38.1	38.7	44.0	44.3	48.0	47.8	50.3	51.8	-
Investment	% of GDP	-	-	-	-	18.1	17.4	17.5	15.8	16.4	17.0	-
National Savings	% of GDP	-	-	-	-	-23.3	-9.9	-11.4	-4.0	4.0	7.8	-
Headline Inflation	%	-	9.8	3.8	24.3	4.8	-4.5	13.7	8.4	5.8	7.2	1.3
- Food Inflation	%	-	9.1	4.9	31.9	4.3	-9.1	14.0	7.0	4.4	9.6	2.9
- Non-Food Inflation	%	-	10.9	2.2	12.2	6.0	3.8	13.3	16.6	7.4	4.7	-0.5
- Core Inflation	%	-	-	4.7	11.3	7.8	2.3	9.8	10.0	5.9	5.5	4.3
II. Fiscal Sector												
Revenue Collection (CSR)	Million Afs	18,837	76,456	62,038	56,885	71,638	101,118	134,840	169,674	164,589	226,650	99,619
Fiscal Deficit (excluding Grants)	% of GDP	19%	18%	14%	14%	9%	8%	1%	4%	2%	4%	14%
Fiscal Deficit (including Grants)	% of GDP	1%	4%	1%	2%	15%	14%	8%	12%	10%	14%	8% Supl
Public Debt	% of GDP	-	-	-	-	-	-	-	-	-	-	-
- of which foreign currency	% of GDP	-	-	-	-	-	-	-	-	-	-	-
- domestic debt	% of GDP	-	-	-	-	-	-	-	-	-	-	-
- debt servicing	% of total revenue	-	-	-	-	-	-	-	-	-	-	-
III. External Sector												
Exports (f.o.b)	Billion US$	0.31	0.38	0.42	0.45	0.55	0.40	0.40	0.38	0.26	0.50	0.42
Imports (f.o.b)	Billion US$	2.18	2.47	2.74	3.02	2.98	3.11	4.87	6.05	6.03	8.65	5.12
Trade Deficit	Billion US$	1.87	2.09	2.33	2.57	2.43	2.70	4.48	5.67	5.76	8.15	4.70
Remittances	Billion US$	-	-	-	-	-0.08	-0.18	-0.02	0.01	0.06	0.11	-0.02
Current Account Balance	Billion US$	-	-	-	-	-5.69	-6.02	-6.61	-6.76	-6.63	-6.95	-3.87
Current Account Balance	% of GDP	-	-	-	-	-0.53	-0.47	-0.40	-0.36	-0.32	-0.33	-0.18
Total Foreign Investment	Million US$	-	186	218	188.41	97.59	93.78	94.96	85.17	72.65	70.24	29.95
- Foreign Direct Investment	Million US$	-	186	218	188.41	97.59	93.78	94.96	85.17	72.65	70.24	29.95
- Portfolio Investment	Million US$	-	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
External Debt	Billion US$	-	-	-	-	-	-	-	-	-	-	-
External Debt and Forex Liabilities	% of forex earings	-	-	-	-	n.a	n.a	n.a	n.a	n.a	n.a	n.a
Short-term debt to GDP	%	-	-	-	-	n.a	n.a	n.a	n.a	n.a	n.a	n.a
External Debt Servicing Ratio (Pl see footnote	*	-	-	-	-	-	-	-	-	-	-	-
Exchange Rate (Average)	Per US$	47.79	49.63	49.92	49.82	50.95	49.26	45.80	47.76	50.92	55.38	57.52
Foreign Exchange Reserves	Billion US$	-	-	-	-	3.61	4.13	5.34	6.25	6.95	7.10	7.00
IV. Monetary & Capital Market		-	-	-	-	-	-	-	-	-	-	-
Growth Rate of M1	y-o-y	-	-	-	40.59	31.91	30.33	25.02	21.00	9.78	9.88	9.54
Growth Rate of M2	y-o-y	-	-	-	42.40	31.38	33.05	26.95	21.31	8.80	9.40	8.34
Growth Rate of M3	y-o-y	-	-	-	-	-	-	-	-	-	-	-
Weighted Avg Lending Rate	%	-	-	-	15.70	23.40	15.10	15.00	14.50	15.00	15.00	15.00
Credit growth to Private Sector	%	-	-	-	96.98	45.63	33.90	29.80	-49.80	1.90	8.80	-6.13
Stock Market (Price Index)	1991=100	-	-	-	-	-	-	-	-	-	-	-
Market Capitalization (as leading stock mkt)	estic currency in Bil	-	-	-	-	-	-	-	-	-	-	-
Market Capitalization (as leading stock mkt)	% of GDP	-	-	-	-	-	-	-	-	-	-	-
Market Capitalization (as leading stock mkt)	Billion US$	-	-	-	-	-	-	-	-	-	-	-
V. Banking Sector Indicators												
Capital Adequacy ratio	%	N/A	N/A	38.91	31.77	29.83	25.81	-14.48	23.83	21.84	26.24	26.46
Non performing loans	%	N/A	N/A	N/A	0.68	1.15	0.94	48.4	5.16	5.31	5.08	8.09
Profitability (R.O.E)	%	N/A	8.39	-1.11	9.89	1.69	1.4	-20.69	-1.01	-0.42	0.61	7.82
Profitability (R.O.A)	%	N/A	1.79	0.28	1.8	10.28	10.25	-520.84	-14.98	-5.71	8.18	0.93

* from 2007 to 2012 figures are as on March

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

Note: The data for the external sector is as of September 2014

BANGLADESH

RECENT OVERALL MACROECONOMIC DEVELOPMENTS

Overview

Simply high growth cannot be prudential for an emerging economy like Bangladesh. Growth must be sustainable to ensure steady pace of development. Growth must be long-lasting to fight against poverty and to take the economy to the middle income bracket by 2021. The activity base of growth must be expanded by empowering the mass people. Herein lies the essence of inclusive growth, which is instrumental to strategizing a new monetary policy for Bangladesh Bank. To provide access to finance to all sections of society and thus to make growth sustainable by empowering the poor is the main objective of financial inclusion. Bangladesh Bank strongly believes that financial inclusion not only stimulates growth by expanding the activity base, but it also contributes to growth stability through desired sectoral and geographical diversification of financial access–much needed to boost balanced sectoral investment and entrepreneurship. Essentially, the main task of the central bank is to sustainably promote a respectable growth rate by ensuring macro stability that anchors in moderate inflation. Bangladesh Bank upholds those principal targets and devises its monetary policy stance accordingly.

Bangladesh economy has been maintaining a six plus percent annual average real GDP growth for well over a decade amid prolonged global growth slowdown in the recent years. Growth has averaged 6.2 percent over the last five years. Single digit CPI inflation has also been stabilized in a steadily downward edging trend. Declining lending rates coupled with rising foreign exchange reserves and Taka exchange rate stability is enhancing the investor friendliness of the domestic economic scene. Sector-wise brief analyses on Bangladesh economy are given below:

Price Developments

Progress in bringing annual average CPI inflation down from 7.35 percent in FY 14 to 6.5 percent by FY 2015 is broadly on satisfactory, with a reduced level of 6.99 percent at the end of the first half of FY2015 (July-December, 2014). This reduction in CPI inflation is however mainly from the food component of the consumption basket; core (non-food, non-fuel) CPI inflation has been on somewhat upward edging trend in November and December 2014. Rise in government's non-bank budget financing and subsidy cost savings from declining petroleum prices have kept government's bank borrowing substantially below as compared to the earlier projections. Credit growth to private sector though still somewhat below levels projected earlier, has however picked up substantially by the second quarter of FY2015 and remains upward edging.

Money and Credit Developments

Given that annual average CPI inflation is still above the targeted ceiling, that core inflation remains upward edging, and the looming uncertainties from the political turbulence; the cautiously restrained monetary policy stance of the first half of FY2015 will be continued unchanged in the second half of FY2015, without any further loosening or tightening. The second half of FY2015 monetary program drawn up on this basis will seek to limit FY2015 broad money (M2) growth at 16.5 percent, using controls on Bangladesh Bank's reserve money growth as the main tool. Private sector credit will have space for 15.5 percent growth, a level substantially higher than the 13.5 percent of December 2014 level. Besides access to external term financing and input import financing will remain open for industrial manufacturers. It may be noted that the programmed broad money and domestic credit growth levels have ample room of supporting output activities leading to higher GDP growth if the enabling environment turns out to be better than expected.

External Sector Developments

Although export growth slowed down to 1.6 over July-December of 2014, it evidences a sign of rebound in the last 2 months of 2014. Export receipts boosted up in December 2014 by 17.65 percent over the previous month, recording 1.56 percent growth in July-December 2014(offsetting the negative growth up to October) as compared to the same period of the previous year. Import payments based on shipment data boosted up by 16.64 percent during July-November 2014 over the corresponding period of the previous year. Import L/C opening data (rose by 14.77 percent during July-November 2014) also suggest that the import payments will have a momentum in the second half of FY2015.

Remittance growth started gaining in the second half of FY2014 and became positive in the first half of FY2015. It may be noted that remittance growth in FY2014 became negative of 1.6 percent against the growth of 12.6 percent in FY2013.

The current account balance (CAB) recorded a deficit of USD 1422 million during July-December 2014 compared to a surplus of USD 1442 million during the same period of the preceding fiscal year. The deterioration in trade deficit might be responsible to this although it is some-what offset by a rise in remittances in the current fiscal year. Supported by a larger surplus in financial account combined with capital account surpassing the deficit in current account, the overall balance recorded a surplus of USD 1445 million during July-December 2015. This contributed to rise in foreign exchange reserves which stood at USD 22.3 billion at the end of the first half of FY2015 compared to USD 21.5 billion at the end FY2014.

In order to stabilize foreign exchange rate (Taka/USD), Bangladesh Bank continued its participation in the domestic foreign exchange market as required, with a net purchase of foreign currencies amounting to USD 986.45 million during the first half of FY2015. Consequently, the foreign exchange market remained stable during that period.

Fiscal Developments

In FY14-15 total estimated budget expenditure is 2,50,506 crore Taka. Up to November 2014 actual expenditure (Using iBASdata) is 63,878.66croreTaka which is 25.5 percent of the total budget estimate.

Government expenditure in Bangladesh is shown under two broad categories, namely, Non-Development Expenditure and Development Expenditure. Non-development expenditure up to November 2014 in FY15 is 28.1 percent of the yearly budget estimates. Whereas, development expenditure during the same period amounts to 19.4 percent of the development budget. Considering Implementation Monitoring and Evaluation Division (IMED) data, ADP expenditure (except self-financed) up to December 2014 is 22,494 crore Taka where utilization rate is 28 percent of the yearly total budget estimate.

Revenue income of the government comes from both tax and non-tax sources. Up to November 2014, total revenue (Using iBAS data) is 29.7 percent of the annual target. During this period major share of the revenue comes from NBR (National Board of Revenue) sources (81.6 percent). Achievement of NBR tax revenue is 29.6 percent of the annual target. Revenue performance of NTR (Non tax Revenue) sources is also satisfactory. Up to November 2014, 29.7 percent of the annual target has been achieved.

Overall balance of the budget is calculated either by including grants or by excluding grants. Up to November 2014, in the current fiscal, as per budget estimate, overall balance (including grants) is -0.60 percent of the estimated GDP and excluding grants it is -0.62 percent of GDP (base year 2005-06).Budget estimate for overall balance is estimated at 4.01 percent of GDP (including grants) and 4.42 percent of GDP (excluding grants) for FY2014-15.

Outlook for FY2014-15

In FY2014-15 total estimated expenditure is 2,50,506 crore Taka which is 15.86 percent higher than the revised budget of the FY2013-14. The current budget estimate is 16.4 percent of the estimated GDP for FY2014-15 (Considering base year 2005-06).In FY2014-15 total estimated revenue income is 1,89,160 crore Taka which is 20.74 percent higher than the revised estimate of FY2013-14. In the current fiscal year revenue estimate is 12.0 percent of GDP. Budget deficit excluding grants is 5 percent of GDP.Total amount to be financed from foreign and domestic sources is 61,346 crore Taka. Out of this, only 50.9 percent will be financed from banking system. The rest will be financed from foreign borrowing and non-bank sources including sale of savings certificate.

Latest Developments in Macroeconomic Indicators

The latest developments in some of the key macroeconomic indicators of Bangladesh economy are given below:

- Real GDP growth registered 6.12% in FY 2013-14 which was 6.03% in FY 2012-13.
- As per latest available data overall inflation (base: 2005-06=100) is 6.87% on yearly average basis (6.04% on point-to-point basis) at the end of January, 2015.
- Export growth has increased to 1.54% amounting USD 14735 million during July-December, 2015 compared to USD 14511 million during July-December, 2014.
- Imports have increased by 18.28% amounting USD 20049 million during July-December, 2015 compared to USD 16950 million during July-December, 2014.
- Remittance growth has increased to 8.68% amounting USD 8730.39 million during July-January of FY 2015 compared to USD 8033.42 million during July-January of FY 2014.
- The overall surplus in the country's BOP stood at USD 1445 million during July-December of FY 2015.
- The country's foreign exchange reserve on 26 February 2015 set a new record hitting $23.03 billion due mainly to the positive remittance inflow.
- The nominal exchange rate of Taka against US$ remained stable at Tk.77.80 per USD as on 02 March 2015.

HIGHLIGHTS ON MAJOR POLICY ANNOUNCEMENTS

- BB has issued “Guidelines on Risk Based Capital Adequacy (Revised Regulatory Capital Framework for banks in line with Basel III)” For effective implementation of Basel-III in Bangladesh.
- BB has enhanced the limit of bullet repayment, against external import financing for eligible deferred payment imports for terms not exceeding six months, from USD 500,000 to USD 1,000,000.
- BB has reduced the maximum lime limit for delivery of non-resident Bangladeshi (NRB) remittances to the beneficiaries from 72 hours to 2 working days.
- In case of bulk import of raw materials against inland back to back L/C, BB has enhanced the maximum single borrower limit for garments accessories exporters from USD 1.00 million to USD 2.00 million under the facility of EDF loan.

BB Governor Dr. Atiur Rahman was awarded with the 'GUSI Peace Prize International 2014' and ‘Central Banker of the Year 2015’ from the Asia-Pacific region for stimulating growth and stabilizing economy

- Dr. Atiur Rahman, Governor Bangladesh Bank has been awarded with the ‘GUSI Peace Prize International 2014’ for his work in the field of Economics focused on welfare of the poor. He received the award on November 26, 2014 in a ceremony held at Manila, Philippines where fourteen other eminent personalities from Austria, China, Congo, Germany, India, Iran, Italy, Japan, Lithuania, Nepal, Netherlands, Philippines, Poland and Saudi Arabia were also awarded for their exemplary contributions toward

peace and welfare in their various respective fields. The Gusi Peace Prize foundation has termed Dr. Atiur Rahman as the Poor Man's Economist in the award citation.It may be recalled that Dr.Atiur Rahman is recipient of a number of other international awards for his work, including the Indira Ghandhi Gold Plaque for contribution to international cooperation to human progress.

- Bangladesh Bank Governor was also awarded with the 'Central Banker of the Year 2015' from the Asia-Pacific region for stimulating growth and stabilizing economy. The UK-based financial magazine of the Financial Times Group, announced on January 05, 2015 this award for his exemplary work on how central banks can play essential role in promoting finance for socially and environmentally responsible initiatives without compromising on growth or macroeconomic stability. The chief editor of 'The Banker' Mr. Bryan Caplan handed over him this award on February 06, 2015 in a ceremony held at House of Lords.

KEY ECONOMIC INDICATORS OF BANGLADESH

	Unit	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15 (Jul-Dec)
I. Real Sector												
Per Capita GDP	USD	463	476	487	559	620	687	748	766	1088	1115	-
Real GDP Growth	%	6.0	6.6	6.4	6.2	5.7	6.1	6.7	6.3	6.2	6.12	7.3[PJ]
GDP (Market Price)	Billion USD	60.4	62.0	68.4	79.6	89.4	100.4	111.9	115.7	129.9	173.8	172.17[PJ]
Agriculture	% of GDP	22.3	21.9	21.4	20.7	20.5	20.3	18.0	17.4	16.8	16.3	-
Industry	% of GDP	28.3	29.0	29.4	29.8	29.8	29.9	27.4	28.1	29.0	29.6	-
Services	% of GDP	49.4	49.1	49.2	49.5	49.7	49.8	54.6	54.5	54.2	54.1	-
Investment	% of GDP	24.5	24.7	24.5	24.2	24.4	24.4	27.4	28.2	28.4	28.7	-
National Savings	% of GDP	25.8	27.7	28.7	30.2	29.6	30.0	29.0	29.9	30.5	30.5	-
Headline Inflation (12 mth avg)	%	6.5	7.2	7.2	9.9	6.7	7.3	8.8	10.6	6.8*	7.4*	6.87
- Food Inflation	%	7.9	7.8	8.1	12.3	7.2	8.5	11.3	10.4	5.2*	8.6*	7.68
- Non-Food Inflation	%	4.3	6.4	5.9	6.3	5.9	5.5	4.2	11.1	9.2*	5.5*	5.64
- Core inflation	%	-	-	-	-	-	-	-	-	-	-	5.78
II. Fiscal Sector												
Revenue Collection (CSR)	Billion USD	6.4	6.7	7.2	8.8	10.1	11.5	13.4	15.0	17.5	20.2	-
Fiscal Deficit (excluding grants)	% of GDP	4.4	3.9	3.7	6.2	4.1	3.7	4.4	5.0	4.8	4.4	-
Fiscal Deficit (including grants)	% of GDP	3.7	3.3	3.2	5.4	3.3	3.3	3.8	4.6	4.3	4.0	-
Public Debt	% of GDP	47.0	46.7	44.8	42.9	41.0	37.4	37.4	36.5	35.3	-	-
- of which foreign debt	% of GDP	30.5	30.1	28.2	25.5	23.3	20.3	19.7	19.0	17.9	-	-
- domestic debt	% of GDP	16.4	16.6	16.6	17.2	17.7	16.9	17.7	17.5	17.4	-	-
- debt servicing	% of total revenue	16.6	16.8	18.5	19.8	19.2	18.4	15.3	15.2	19.8	-	-
III. External Sector												
Exports (f.o.b)	Billion USD	8.7	10.4	12.1	14.2	15.6	16.2	22.6	24.0	26.6	30.2	14.7
Imports (f.o.b.)	Billion USD	13.2	13.3	15.5	19.5	20.3	21.4	30.3	33.3	33.6	40.7	20.1
Trade Deficit	Billion USD	4.5	2.9	3.4	5.3	4.7	5.2	7.7	9.3	7.0	10.5	5.3
Remittances	Billion USD	3.8	4.8	6.0	7.9	9.7	11.0	11.7	12.8	14.5	14.2	7.6
Current Account Balance	Billion USD	-0.6	0.8	0.9	0.7	2.4	3.7	-1.7	-0.4	2.4	1.5	-1.4
Current Account Balance	% of GDP	-0.9	1.3	1.4	0.9	2.7	3.7	1.5	0.3	1.9	0.9	-
Total Foreign Investment	Million USD	800	775	899	795	802	796	740	1193	2094	2375	1147
- Foreign Direct Investment	Million USD	800	743	793	748	961	913	768	995	1726	1550	702
- Portfolio Investment	Million USD	0.0	32.0	106.0	47.0	-159.0	-117.0	-28.0	198.0	368	825	445
External Debt and Forex Liabilities	Billion USD	18.4	18.6	19.4	20.3	20.1	20.3	21.5	22.8	23.3	-	-
External Debt and Liabilities	As % of Forex earnings	-	-	-	-	-	-	-	-	-	-	-
Short-term debt to GDP	%	1.0	1.5	0.9	2.0	1.7	1.2	2.3	3.2	2.7	-	-
External Debt Servicing Ratio	% of outstanding external debt	3.6	3.4	3.6	3.8	4.0	4.3	4.2	4.2	4.7	-	-
Exchange Rate	Per USD	61.4	67.1	69.0	68.6	68.8	69.2	71.2	79.1	79.9	77.8	77.8
Foreign Exchange Reserve	Billion USD	2.9	3.5	5.1	6.1	7.4	10.8	10.9	10.2	15.3	21.5	20.7
IV. Monetary & Capital Market												
Growth Rate of M_1	y-o-y	17.1	23.4	16.5	22.7	10.3	28.0	18.7	6.4	10	14.6	15.3
Growth Rate of M_2	y-o-y	16.7	19.3	17.1	17.6	19.2	22.4	21.3	17.4	16.7	16.1	16.2
Growth Rate of M_3	y-o-y	15.2	17.8	15.8	15.7	17.7	23.0	18.9	15.5	15.3	16.5	16.2
Weighted Avg. Lending Rate	%	10.9	12.1	12.8	12.3	11.9	11.3	12.4	13.8	13.7	13.1	12.5
Credit growth to Private Sector	%	16.9	18.1	15.0	25.0	14.6	24.2	25.8	19.7	10.9	12.2	12.7
Stock Market (Price Index)		1713.2	1339.5	1764.2	2588.0	2520.2	5111.6	6117.2	4572.9	4385.8	4480.5	4530.7
Market Capitalization of DSE[#]	Billion Taka	224.6	225.3	491.7	931.0	1241.3	2700.7	2853.9	2491.6	2530.2	2386.3	1841.2
Market Capitalization of DSE[#]	% of GDP	6.1	5.4	10.4	17.1	20.2	38.9	35.8	27.2	24.4	17.7	-
Market Capitalization of DSE[#]	Billion USD	3.7	3.4	7.1	13.6	18.0	39.0	40.1	31.5	31.7	30.7	20.3
V. Banking Sector Indicators												
Capital adequacy ratio	%	5.6	6.7	9.6	10.1	11.6	9.3	11.4	10.5	9.1	10.7	11.35
Non performing loans	%	13.6	13.2	13.2	10.8	9.2	7.3	6.1	10.0	11.9	10.8	9.69
Profitability (R.O.E)	%	12.4	14.1	13.8	15.6	21.7	21.0	17.0	8.2	8.2	8.4	8.09
Profitability (R.O.A)	%	0.6	0.8	0.9	1.2	1.4	1.8	1.5	0.6	0.6	0.6	0.6

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

BHUTAN

RECENT OVERALL MACROECONOMIC DEVELOPMENTS

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

Growth in broad money increased significantly during the November 2014 recording 21.7 percent from 4.5 percent during the same month last year. Meanwhile, Bhutan's inflation (measured by the year-to-year change of the consumer price index) recorded at 8.4 percent during the third quarter of 2014 compared to 9.1 percent of same quarter of previous year. Decline in the prices of non- food commodities mainly contributed for the fall during the quarter. On the other hand, the month-to-month change in imported inflation, during November 2014 was recorded at 6.6 percent while domestic inflation rate was recorded at 6.8 percent.

As of November 2014, the total assets of the financial institutions increased to Nu. 103 billion from Nu. 83 billion in November 2013, recording a growth of 23.6 percent during the review quarter. This increase was attributed to rise in cash and bank balances, equity investments and loans and advances of the financial institutions. Though profits after tax of financial institutions as of September 2014 decreased to Nu.0.7 billion from Nu.0.9 billion in the previous year, the banks overall capital remained well above regulatory limits with the CAR at 19.4 percent.

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

As of November 2014, international reserves stood at USD 1,197.3 million. Of the total reserves, USD 869.5 million were convertible currency reserves and ₹20.3 billion were Indian Rupee reserves. Reserves were sufficient to cover 16.1 months of merchandise imports.

The country's total outstanding external debt as of September 2014 stood at USD 1.8 billion. Of the total, ₹ 74.9 billion (USD 1,216.1 million equivalent) were Indian Rupee debt and USD 627.7 million were outstanding convertible currency debt. Debt servicing for the quarter ending September 2014 amounted to USD 5.4 million on convertible currency debt and ₹431.2 million for Rupee denominated debt.

On the fiscal front, as of June 2014, total revenue including grants, increased marginally from 31.5 percent of GDP to 31.9 percent of GDP. While, total expenditure also increased slightly from 35.8 percent of GDP in 2012/13 to 36.2 percent of GDP during 2013/14. Grant support helped finance 30 percent of total expenditure. As a result, the national budget deficit accounted for 4.4 percent of GDP.

HIGHLIGHTS ON MAJOR POLICY ANNOUNCEMENTS

1. The RMA has lifted a ban on the housing, vehicle and consumer loans from 1st September, 2014 with the issue of respective guidelines.
2. The Financial Intelligence Unit of RMA (FIUB) entered into a Memorandum of Understanding with Bangladesh Financial Intelligence Unit (BFIU) and the Korea Financial Intelligence Unit, concerning cooperation in the exchange of financial intelligence relating to money laundering, associated predicate offences and terrorist financing on 17th July 2014 in Macau, China.
3. The FIUB and the Anti- Corruption Commission of Bhutan (ACC) signed a Memorandum of Understanding (MoU) with respect to strengthening the existing cooperation and to expedite the

exchange of information between the two agencies on 9th July 2014. With the signing of the MoU, it is expected to enhance the cooperation between the agencies and to establish effective functional relationship without prejudice to each other's institutional independence, statutory rights and obligations under the respective legislation.

KEY ECONOMIC INDICATORS OF BHUTAN

	Unit	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
I. Real Sector											
Per Capita GDP(a)	**US$**	1214.20	1366.40	1387.40	1814.90	1875.54	1851.58	2277.76	2600.09	2584.81	2440.41
Real GDP Growth(a)	**%**	5.90	7.96	6.85	17.93	4.77	6.66	11.73	7.89	5.07	2.05
GDP (MP)	**Billion US$**	0.76	0.88	1.13	1.09	1.24	1.44	1.75	1.84	1.89(P)	0.94(P)
Agriculture	**% of GDP**	10.54	9.80	9.13	9.06	9.25	9.12	8.96	9.49	17.16(P)	16.18
Industry	**% of GDP**	1.46	1.84	1.94	2.06	2.28	2.25	2.25	2.11	38.86(P)	42.30
Services	**% of GDP**	6.17	6.34	6.03	5.88	5.81	5.86	6.28	7.12	37.97(P)	41.52
Investment	**% of GDP**	61.95	51.22	47.95	37.70	41.39	43.03	52.09	61.01	59.20	47.3(Oct)
National Savings	**% of GDP**	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	39.49(P)	24(Oct)
Headline Inflation	**%**	5.46	6.17	5.94	8.85	2.96	6.14	8.33	13.53	11.31	8.38
- Food Inflation	**%**	5.02	5.23	8.84	11.75	10.74	9.53	8.96	11.80	14.46	9.95
- Non-Food Inflation	**%**	4.89	5.33	2.95	7.74	0.73	8.86	8.17	8.30	9.27	7.35
- Core inflation	**%**	-	-	-	-	-	-	-	-	-	-
II. Fiscal Sector											
Revenue Collection (CSR)	**Billion US$**	0.14	0.16	0.23	0.31	0.35	0.43	0.39	0.40	0.39	0.27
Fiscal Deficit (excluding grants)	**% of GDP**	-21.63	-18.67	-14.05	-11.19	-10.02	-16.36	-16.78	-20.16	-13.04	-15.12
Fiscal Deficit (including grants)	**% of GDP**	-7.65	-0.88	0.71	0.82	2.00	1.80	-2.30	-4.38	-1.69	-4.41
Public Debt	**% of GDP**	40.91	43.53	31.55	27.28	29.46	29.20	0.00	32.52	35.49	41.61
- of which foreign currency	**% of GDP**	40.91	43.53	31.55	27.28	29.04	28.39	31.83	34.20	35.10	36.02
- domestic debt	**% of GDP**	0.00	0.00	0.00	0.00	0.42	0.80	0.69	1.29	6.51	-
- debt servicing	**% of total revenue**	13.24	43.95	11.03	30.75	26.94	28.64	26.41	44.74	88.21	-
III. External Sector											
Exports (f.o.b)	**Billion US$**	0.21	0.31	0.57	0.60	0.52	0.54	0.67	0.62	0.59	0.55
Imports (f.o.b.)	**Billion US$**	0.46	0.435	0.53	0.67	0.61	0.84	1.12	1.01	0.95	0.93
Trade Deficit	**Billion US$**	-0.25	-0.12	0.47	-0.08	-0.09	-0.27	-0.46	-0.40	-0.35	-0.38
Remittances	**Billion US$**	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.01	-
Current Account Balance	**Billion US$**	-0.24	-0.04	0.08	-0.11	-0.01	-0.32	-0.52	-0.39	-0.45	-0.48
Current Account Balance	**% of GDP**	-32.40	-4.70	9.10	-9.10	-6.60	-24.30	-32.60	-23.00	-25.00	-27.33
Total Foreign Investment	**Million US$**	-	-	0.00	0.00	0.00	0.00	2.09	2.60	5.03	3.18
- Foreign Direct Investment	**Million US$**	-	-	0.00	0.00	0.00	0.00	2.09	2.60	5.03	3.18
- Portfolio Investment	**Million US$**	-	-	-	-	-	-	-	-	-	-
External Debt and Forex Liabilities	**Billion US$**	0.67	0.78	0.72	0.82	0.80	0.87	1.35	1.42	1.54	1.843(Sept)
External Debt and Forex Liabilities	**% of forex earnings**	-	-	-	-	-	-	-	-	-	-
Short-term debt to GDP	**%**	-	-	-	4.47	7.16	7.35	12.99	15.14	16.36	10.36(Sept)
External Debt Servicing Ratio (pl see footnote)	*******	12.20	7.91	3.68	18.27	30.51	29.75	30.96	55.80	-	10.13(Sept)
Exchange Rate	**Per US$**	44.61	44.74	44.19	40.37	47.78	46.65	45.33	50.27	62.00	61.68(Nov)
Foreign Exchange Reserves	**Billion US$**	0.363	0.486	0. 608	0.55	0.68	0.76	0.80	0.67	0.93	1.20(Nov)
IV. Monetary & Capital Market											
Growth Rate of M_1	**y-o-y**	9.70	14.40	26.80	6.30	27.70	22.70	34.30	5.60	2.60	36.65(Nov)
Growth Rate of M_2	**y-o-y**	10.84	11.37	8.62	2.27	24.57	30.09	21.21	-1.02	3.53	21.74(Nov)
Growth Rate of M_3	**y-o-y**	-	-	-	-	-	-	-	-	-	-
Weighted Avg Lending Rate	**%**	-	-	-	-	-	-	-	-	-	-
Credit growth to Private Sector	**%**	27.74	35.86	34.40	35.80	28.90	40.73	29.40	30.07	7.96	8.6(Nov)
Stock Market (Price Index)	**1991=100**		-	-	-	-	-	-	-	-	-
Market Capitalization (as leading stock mkt)(a)	**Domestic Currency in Billion**	4.30	4.47	4.64	5.03	7.37	8.07	10.01	14.38	17.63	20.59
Market Capitalization (as leading stock mkt) (a)	**% of GDP**	14.0	12.4	11.4	10.17	13.47	13.18	13.81	16.80	18.19	17.70
Market Capitalization (as leading stock mkt)(a)	**Billion US$**	0.10	0.10	0.11	0.13	0.15	0.17	0.22	0.29	0.32	0.35
V. Banking Sector Indicators											
Capital adequacy ratio	**%**	17.72	20.81	17.05	16.12	14.94	14.78	15.90	17.89	19.61	19.43
Non performing loans	**%**	-	6.57	4.92	4.91	7.53	6.83	5.20	3.92	6.57	11.55(Sept)
Profitability (R.O.E.)	**%**	14.19	15.02	18.37	18.31	17.08	22.54	15.72	16.10	13.00	4.43(Sept)
Profitability (R.O.A.)	**%**	1.30	1.42	1.58	1.54	1.50	1.86	1.58	2.24	2.40	0.78(Sept)

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

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

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

Foreign Exchange Reserve comprises of Indian Rupee and USD

INDIA

RECENT OVERALL MACROECONOMIC DEVELOPMENTS

Growth Outlook

The Central Statistics Office, Government of India released the new series of national accounts on January 30, 2015, with three major changes in the compilation of the national accounts: revision in the base-year to 2011-12 (from 2004-05 earlier), aligning the methodology of compilation with international best practices (particularly the SNA 2008), and some changes in the data sources. As per the new series, advance estimates placed the real GDP (GDP at constant market prices) growth rate at 7.42 per cent in the fiscal year 2014-15 (April-March) as compared with 6.90 per cent in 2013-14 and 5.08 per cent in 2012-13.[1] During 2014-15:Q3 Private Final Consumption Expenditure (PFCE) growth moderated to 3.54 per cent (4.58 per cent in 2013-14:Q3). Gross Fixed Capital Formation (GFCF) growth also moderated to 1.64 per cent during 2014-15:Q3 as compared to 5.34 per cent in 2013-14:Q3.

Growth rate of Gross Value Added (GVA) at basic prices[2] was placed at 7.50 per cent in 2014-15 as compared with 6.64 per cent in 2013-14 reflecting improvement mainly in industry and services sectors. Within industrial sector, improvement in growth was observed in 'electricity, gas, water supply and other utility services' and 'manufacturing' sub-sectors, while the growth in 'mining and quarrying' sub-sector declined. The improvement in services sector was on account of 'construction', 'financial, real estate and professional services' and 'public administration, defence and other services', even as 'trade, hotels, transport, communication and services related to broadcasting', moderated.

Inflation Outlook

CPI-Combined inflation declined to 5 per cent in January 2015 from 7.5 per cent in June 2014. During the period under review, though there was some increase in inflation during July on account of food price pressures emanating from late arrival of monsoon, inflation declined steadily to 4.4 per cent in November 2014, before edging up to 5 per cent in December 2014. The fall in inflation was driven by moderation in food price inflation, softening of global crude prices as well as the anti-inflationary monetary policy stance. CPI inflation excluding food and fuel group declined to 5.4 per cent in December 2014 from 7.5 per cent in June 2014. Decline in the pace of price rise was broad-based with inflation in 'housing' sub-group easing to 7.8 per cent in December 2014 from 9.1 per cent in June 2014. 'Transport and communication' sub-group, under the 'miscellaneous' category recorded a significant drop in inflation to 0.9 per cent in December 2014 in line with the continued easing of global crude oil prices. In the 'others' sub-category, which largely includes services, inflation dropped to 8.3 per cent in December 2014 from 9.8 per cent in June 2014. Fall in inflation has also resulted in inflation expectations adapting accordingly. The latest Inflation Expectations Survey of Households (December 2014) of the Reserve Bank indicates that both near-term and longer-term inflation expectations of households have eased to single digits for the first time since September 2009. In February 2015, the Central Statistics Office, Government of India released the new series of CPI with a new base (2012=100) and inflation as per the new series for the month of January 2015 was at 5.1 per cent (provisional).[2]

External Sector Outlook

India's merchandise exports during 2013-14 at US$ 314.42 billion posted an increase of 4.67 per cent as against a contraction of 1.82 per cent during 2012-13. Imports during 2013-14 at US$ 450.20 billion recorded a decline of 8.26 per cent as compared to an increase of 0.29 per cent during 2012-13. The fall in import growth was mainly due to fall in non-oil imports, particularly gold imports. With a pickup in exports

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

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

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

and moderation in imports, India's trade deficit narrowed significantly from US$ 190.34 billion during 2012-13 to US$ 135.80 billion during 2013-14. In 2014-15 so far (April-December), exports increased by 4.02 per cent as compared with 6.63 per cent in COPPY. Imports also recorded a growth of 3.63 per cent in April-December 2014 as against a decline of 6.96 per cent in COPPY. Trade deficit stood at US$ 110.05 billion in April-December 2014, marginally higher than US$ 107.78 billion in COPPY. Following a higher trade deficit, India's current account deficit increased from 1.18 per cent of GDP in Q2 of 2013-14 to 2.00 per cent of GDP in Q2 of 2014-15.

Steady inflow of FDI and a surge in FII led to a rise in net capital and financial inflows and there was an accretion to foreign exchange reserves to the tune of US$ 6.90 billion during Q2 of 2014-15 as compared to US$ 10.36 billion during Q2 of 2013-14. Reserves stood at US$ 327.88 billion as on January 30, 2015 indicating an increase of US$ 23.66 billion over end-March level.

Monetary Developments

The y-o-y growth in reserve money during 2014-15 (upto January 16, 2015) has averaged at 10 per cent. The reserve money variation was primarily led by currency in circulation on the components side and net foreign assets on the sources side. Reserve money grew by 9.7 per cent up to week-ended January 16, 2015 compared with an increase of 10.0 per cent in the previous year. Adjusted for the first round effect of change in cash reserve ratio (CRR), reserve money growth was 9.1 per cent as compared with 10.6 per cent in the previous year.

The y-o-y growth in broad money (M_3) was 11.5 per cent as on fortnight ended-January 9, 2015, compared with a growth of 14.4 per cent in the comparable period of previous year. Lower growth in M_3 was mainly due to slower growth in aggregate deposits at 11.7 per cent as compared with 15.0 per cent growth seen during the corresponding period of the previous year.

Fiscal Policy

The Union Budget 2014-15, in line with the revised roadmap for fiscal consolidation, has indicated reduction in gross fiscal deficit-GDP ratio from 4.5 per cent in 2013-14 to 4.1 per cent in 2014-15 and further to 3.0 per cent by 2016-17. The key deficit indicators of the Central Government, *viz.*, revenue deficit (RD), gross fiscal deficit (GFD) and primary deficit (PD), as percentage of GDP, at 3.2 per cent, 4.5 per cent and 1.2 per cent, respectively, in the provisional accounts (PA) for 2013-14 were lower than in the revised estimates and budget estimates for the year. Reduction in revenue deficit in 2013-14 (PA) over the revised estimates for the year was brought about by cutbacks in plan and non-plan revenue expenditures coupled with higher non-tax revenue which more than offset the shortfall in tax revenue, resulting from continued slowdown in growth. Reduction in revenue deficit coupled with higher non-debt capital receipts and lower capital expenditure resulted in a marginally lower GFD-GDP ratio compared to the revised estimate of 4.6 per cent.

RD, GFD and PD as percentages to their budget estimates (BE) were higher during April-December 2014 than those in the corresponding period of the previous year. The revenue deficit as percentage to BE was higher by 8.5 percentage points than that in April-December 2013. Tax revenues, though marginally higher in absolute terms, were lower than in the corresponding period of the previous year as percentage of BE, with lower collections under all major categories except custom duties. Total expenditure as percentage to BE was 1.0 percentage point lower than the previous year. While revenue expenditure as per cent of BE was lower by 0.1 percentage point, expenditure on major subsidies was 84.5 per cent of BE in April-December 2014 (85.5 per cent of BE in April-December 2013). Capital expenditure during April-December 2014 was lower, both in absolute terms as well as percentage to BE, on account of lower plan capital expenditure.

HIGHLIGHTS ON MAJOR POLICY ANNOUNCEMENTS

December 05, 2014	Guidelines for White Label ATM's in India released which • allowed WLAs to accept international credit/debit/prepaid cards. • permitted the facility of Dynamic Currency Conversion (DCC) for the use of international cards at WLAs if the operator so decides to implement the DCC facility. The currency conversion rate will only be obtained from authorised dealer bank. • enabled delinking cash supply from that of sponsor bank arrangements.
December 02, 2014	The fifth Bi-Monthly Monetary statement was released where it was decided to • keep the policy repo rate under the liquidity adjustment facility (LAF) unchanged at 8.0 per cent; • keep the cash reserve ratio (CRR) of scheduled banks unchanged at 4.0 per cent of net demand and time liabilities (NDTL); • continue to provide liquidity under overnight repos at 0.25 per cent of bank-wise NDTL at the LAF repo rate and liquidity under 7-day and 14-day term repos of up to 0.75 per cent of NDTL of the banking system through auctions; and • continue with daily one-day term repos and reverse repos to smooth liquidity. Consequently, the reverse repo rate under the LAF was also unchanged at 7.0 per cent, and the marginal standing facility (MSF) rate and the Bank Rate at 9.0 per cent.
October 29, 2014	In order to provide an additional avenue for liquidity management to Scheduled Urban Co-operative Banks (UCBs), it was decided that, with effect from November 28, 2014, Liquidity Adjustment Facility (LAF) would be extended to Scheduled UCBs which are CBS enabled, and have CRAR of at least 9 per cent and are fully compliant with the eligibility criteria prescribed for LAF.
October 20, 2014	RRBs were permitted to exceed the limit of 25 per cent of total investments under HTM category provided the excess comprised only SLR securities and the total SLR securities held in the HTM category was not more than 24.00 per cent of their NDTL as on the last Friday of the second preceding fortnight.
September 30, 2014	The fourth bi-monthly Monetary Policy was released where it was decided to • keep the policy repo rate under the liquidity adjustment facility (LAF) unchanged at 8.0 per cent; keep the cash reserve ratio (CRR) of scheduled banks unchanged at 4.0 per cent of net demand and time liabilities (NDTL); • reduce the liquidity provided under the export credit refinance (ECR) facility from 32 per cent of eligible export credit outstanding to 15 per cent with effect from October 10, 2014; • continue to provide liquidity under overnight repos at 0.25 per cent of bank-wise NDTL at the LAF repo rate and liquidity under 7-day and 14-day term repos of up to 0.75 per cent of NDTL of the banking system through

	auctions; and • continue with daily one-day term repos and reverse repos to smooth liquidity. Consequently, the reverse repo rate under the LAF was unchanged at 7.0 per cent, and the marginal standing facility (MSF) rate and the Bank Rate at 9.0 per cent.
September 01, 2014	Further amendment of existing guidelines of implementation of Basel III framework to facilitate raising of non-equity regulatory capital instruments by banks. These were also intended to incentivise investors and to increase the investor base.
August 5, 2014	The Third Bi-Monthly Monetary Policy statement was released where it was decided to • keep the policy repo rate under the liquidity adjustment facility (LAF) unchanged at 8.0 per cent; • keep the cash reserve ratio (CRR) of scheduled banks unchanged at 4.0 per cent of net demand and time liabilities (NDTL); • reduce the statutory liquidity ratio (SLR) of scheduled commercial banks by 50 basis points from 22.5 per cent to 22.0 per cent of their NDTL with effect from the fortnight beginning August 9, 2014; and • continue to provide liquidity under overnight repos at 0.25 per cent of bank-wise NDTL and liquidity under 7-day and 14-day term repos of up to 0.75 per cent of NDTL of the banking system. In order to enable banks greater participation in financial markets, the Held to Maturity (HTM) ceiling was reduced to 24 per cent of NDTL with effect from the fortnight beginning August 9, 2014. Consequently, the reverse repo rate under the LAF was unchanged at 7.0 per cent, and the marginal standing facility (MSF) rate and the Bank Rate at 9.0 per cent.

KEY CONOMIC INDICATORS OF INDIA

	Unit	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13 (SRE)	2013-14 (FRE)	2014-15 (AE)
I. Real Sector												
Per Capita GDP (Real)	US$	607	664	701	851	785	814	909	911	1381	1311	1383
Real GDP Growth	%	7.0	9.5	9.6	9.3	6.7	8.6	8.9	6.7	4.9	6.6	7.5
GDP (MP at Current Prices)	Billion US$	722	834	948	1241	1227	1367	1707	1881	1836	1875	2081
Agriculture Growth	%	0.2	5.1	4.2	5.8	0.1	0.8	8.6	5.0	1.2	3.7	1.1
Industry Growth	%	7.5	8.5	12.9	9.2	4.1	10.2	8.3	6.7	5.1	5.3	6.5
Services Growth	%	9.1	11.1	10.1	10.3	9.4	10.0	9.2	7.1	6.0	8.1	9.8
Investment	% of GDP(MP)	32.8	34.7	35.7	38.1	34.3	36.5	36.5	35.5	31.1	30.0	
Domestic Savings	% of GDP(MP)	32.4	33.4	34.6	36.8	32.0	33.7	33.7	31.3	36.6	32.3	
Overall CPI^	%	3.8	4.4	6.7	6.2	9.1	12.4	10.4	8.4	10.2	9.5	6.8
CPI-Food & Beverages	%	2.2	4.1	9.2	8.4	12.3	15.2	9.9	6.3	11.9	11.1	7.3
CPI-Fuel & Light	%	8.2	-4.5	5.7	2.2	8.2	3.6	9.8	15.3	8.5	7.4	4.2
CPI-Excluding Food and Fuel	%	5.6	6.6	3.2	4.6	6.0	10.5	11.2	9.8	8.7	8.1	6.7
II. **Fiscal Sector**												
Revenue Collection (CSR) **	Billion Rs.	3059.9	3470.8	4343.9	5418.6	5402.6	5728.1	7884.7	7514.4	8792.3	10152.8 (P)	11897.6
Fiscal Deficit (excluding grants)	% of GDP											
Fiscal Deficit (including grants)	% of GDP	3.9	4	3.3	2.5	6	6.5	4.8	5.7	4.8	4.5(P)	4.1
Public Debt	% of GDP	41.2	40.2	38.4	38.5	38.1	38	36.2	37.7	39.0(P)	39.0 @	38.5
- of which external debt***	% of GDP	1.9	2.6	2.4	2.2	2.2	2.1	2	1.9	1.8(P)	1.6 @	1.5
- domestic debt ****	% of GDP	39.4	37.6	36	36.3	35.9	35.9	34.2	35.8	37.2(P)	37.4 @	37.1
- debt servicing	% of total Revenue											
III. External Sector												
Exports (f.o.b)	Billion US$	85.2	105.2	128.9	166.2	189.0	182.4	256.2	309.8	306.6	318.6	167.0
Imports (c.i.f)	Billion US$	118.9	157.1	190.7	257.6	308.5	300.6	383.5	499.5	502.2	466.2	240.2
Trade Deficit	Billion US$	-33.7	-51.9	-61.8	-91.5	-119.5	-118.2	-127.3	-189.8	-195.7	-147.6	-73.2
Remittances	Billion US$	20.5	24.5	29.8	41.7	44.6	51.8	53.1	63.5	64.3	65.3	33.2
Current Account Balance	Billion US$	-2.5	-9.9	-9.6	-15.7	-27.9	-38.2	-48.1	-78.2	-88.2	-32.4	-17.9
Current Account Balance	% of GDP	-0.3	-1.2	-1	-1.3	-2.3	-2.8	-2.8	-4.2	-4.7	-1.7	-1.9
Total Foreign Investment	Million US$	13000	15528	14753	43326	8342	50363	42127	39231	46711	26386	38384.8
- Foreign Direct Investment	Million US$	3713	3034	7693	15893	22372	17966	11834	22061	19819	21564	16182.7
- Portfolio Investment	Million US$	9287	12494	7060	27433	-14031	32396	30293	17170	26891	4822	22202.0
External Debt and Forex Liabilities	Billion US$	134.0	139.1	172.4	224.4	224.5	260.9	317.9	360.8	409.5	442.3	455.9
External Debt and Forex Liabilities	% of forex earnings	105.6	109.0	115.6	138.0	112.2	106.9	95.9	81.6	71.3	68.8	68.9
Short-term debt to GDP	%	2.4	2.4	2.9	3.7	3.9	3.6	3.7	4.5	5.3	4.7	4.4
External Debt Servicing Ratio (pl see footnote)		5.9^^	10.1###	4.7	4.8	4.4	5.8	4.4	6.0	5.9	5.9	7.8
Exchange Rate	Per US$	44.9	44.3	45.3	40.2	45.9	47.4	45.6	47.9	54.4	60.5	60.2
Foreign Exchange Reserves	Billion US$	142	152	199	310	252	279	305	294	292	304.2	313.8
IV. Monetary & Capital Market												
Growth Rate of M_1 ~	y-o-y	12.3	20.7	17.1	19.4	9.0	18.2	10.0	6.0	9.2	8.3(P)	10.2(P)
Growth Rate of M_2 ~	y-o-y											
Growth Rate of M_3 ~	y-o-y	12.0	16.9	21.7	21.4	19.3	16.9	16.1	13.5	13.6	13.2(P)	11.5(P)
Weighted Avg Lending Rate of SCBs	% (as on 31st March)											
Bank Credit to commercial sector(%) ~	%	**25.6**	27.3	26.1	21.1	16.9	15.8	21.3	17.8	13.5	13.7(P)	10.3(P)
Stock Market (Price Index) (BSE)	End 1991=100	**555.9**	965.8	1119.2	1339.5	831.2	1500.7	1664.9	1490.1	1612.7	1916.7	2354.5*
Market Capitalization (as leading stock mkt)	Domestic Currency in Billion	**16984.3**	30221.9	35450.4	51380.2	30860.8	61656.2	68390.8	62149.1	63878.9	74153.0	98363.8*
Market Capitalization (as leading stock mkt)	% of GDP	**52.4**	81.8	82.5	103.0	54.8	95.2	87.9	69.0	63.2	65.3 (P)	78.7 (P) #
Market Capitalization (as leading stock mkt)	Billion US$	**388.7**	679.4	805.2	1273.2	602.4	1355.2	1520.1	1235.1	1209.6	1215.4	1567.6*
V. Banking Sector Indicators												
Capital adequacy ratio	%	12.8	12.3	12.3	13.0	13.2	13.6	13.0	12.9	13.9@@@	13.0@@	
Non-performing loans	%	5.2	3.3	2.5	2.3	2.3	2.4	2.5	3.1	3.2	3.8	
Profitability (R.O.E.)	%	15.8	14.8	15.5	16.0	15.4	14.3	15.0	14.6	13.8	10.7	
Profitability (R.O.A.)	**%**	1.0	1.0	1.1	1.1	1.1	1.1	1.1	1.1	1.0	0.8	

Note: P: Provisional Data

a) **Real Sector**

~~ Data from 2012-13 onwards are based on the new series with base year 2011-12

^: Represented by CPI for Industrial Workers (IW) up to 2011-12 and by All India CPI-Combined (rural+urban) thereafter.

2014-15 Inflation estimates are average for April-December

b) **Fiscal Sector**

@: pertains to revised estimates

****:** Pertains to revenue receipts of the central government.

***: External debt at historical exchange rate

****: Pertains to internal debt.

2014-15 data for Fiscal Sector pertain to Budget Estimates

Public Debt data include dated securities under market stabilization scheme

c) **External Sector**

Data for 2014-15 is for the period April-September 2014

[&] works out to 12.4 per cent with the exclusion of prepayment of external debt of US $ 3,430 million

[&&] works out to 8.2 per cent with the exclusion of pre payment of external debt of US $ 3,797 million & redemption of Resurgent India Bonds (RIBs) of US $ 5,549 million.

^^ : works out to 5.7 per cent with the exclusion of pre payment of external debt of US $ 381 million

###: works out to 6.3 per cent with the exclusion of India Millennium Deposits (IMDs)

d) **Monetary and Capital Market**

~: Data for 2014-15 is y-o-y growth rate as on January 9, 2015.

*: as on end December 2014

#: as on end September 2014

e) **Banking Sector Indicators**

@@: Pertains to Basel III.

@@@: CRAR under Basel II

MALDIVES

RECENT OVERALL MACROECONOMIC DEVELOPMENTS

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

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

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

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

Owing to a higher level of imports together with falling exports, the external trade deficit further widened in the last six months of 2014. The increase in imports largely reflected the improvement in the real sector activities, especially the growth in tourism as well as wholesale and retail trade and construction, towards the latter half of the year. Gross international reserves[3] improved markedly by the end of December 2014, contributed by the accumulation of foreign assets by the commercial banks. In terms of import cover, reserves increased to 3.7 months of imports at the end of 2014 from 2.5 months of imports at the end of 2013.

HIGHLIGHTS ON MAJOR POLICY ANNOUNCEMENTS

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

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

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

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

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

KEY ECONOMIC INDICATORS OF MALDIVES

	Unit	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
I. Real Sector												
Per Capita GDP/[1]	US$	5642.5	5204.6	6155.8	6623.7	7212.8	6936.1	7366.7	8154.7	8336.7	8601.9	9319.2
Real GDP Growth/[2]	%	14.1	-8.6	20.7	10.8	12.5	-5.5	7.1	12.6	3.0	8.8	8.5
GDP/[3]	Million US$	1202.2	1119.8	1474.7	1746.0	2117.8	2166.3	2332.5	2466.1	2525.5	2695.8	3024.5
Agriculture	% of GDP	5.4	6.3	5.5	4.4	3.8	3.8	3.5	3.4	3.3	3.3	3.0
Industry	% of GDP	16.1	19.5	17.9	19.9	19.4	14.9	14.5	15.3	15.2	14.3	15.2
Services	% of GDP	80.4	75.9	78.1	77.1	78.0	82.3	83.0	82.5	82.6	83.5	83.0
Investment	% of GDP	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
National Savings	% of GDP	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Headline Inflation/[4]	%	-1.7	1.3	2.7	6.8	12.0	4.5	6.1	11.3	10.9	4.0	2.4
Food Inflation/[5]	%	16.0	7.8	4.0	16.2	19.1	0.5	7.5	19.9	17.7	7.5	1.0
Non-Food Inflation/[6]	%	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	2.9
Core inflation	%	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
II. Fiscal Sector												
Revenue Collection (CSR)/[7]	Million US$	267.6	360.4	480.8	591.5	582.5	448.0	511.5	673.3	658.7	773.3	968.6
Fiscal Deficit (excluding grants)	% of GDP	-1.5	-13.0	-8.9	-7.9	-11.9	-20.3	-14.8	-8.6	-8.6	-4.2	-4.1
Fiscal Deficit (including grants)	% of GDP	-1.0	-7.3	-4.3	-3.2	-10.0	-18.8	-14.3	-6.6	-7.6	-3.9	-3.2
Public Debt/[8]	% of GDP	NA	NA	NA	NA	NA	NA	74.3	73.8	77.6	61.6	66.7
- of which foreign currency(debt)	% of GDP	27.1	34.9	38.6	47.4	41.5	43.1	41.2	39.2	32.3	27.7	26.1
- domestic debt	% of GDP	9.1	14.1	13	13	15.1	NA	NA	NA	NA	NA	NA
- debt servicing	% of total revenue	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
III. External Sector/9												
Exports (f.o.b)	Million US$	NA	NA	NA	NA	NA	NA	NA	346.4	314.4	331.0	325.5
Imports (f.o.b.)	Million US$	NA	NA	NA	NA	NA	NA	NA	1716.8	1575.8	1703	1988.4
Trade Deficit	Million US$	NA	NA	NA	NA	NA	NA	NA	-1370.4	-1261.4	-1372	-1663
Remittances	Million US$	NA	NA	NA	NA	NA	NA	NA	-239.4	-259.3	-265.0	-307.7
Current Account Balance	Million US$	NA	NA	NA	NA	NA	NA	NA	-422.8	-269.6	-176.1	-290.0
Current Account Balance	% of GDP	NA	NA	NA	NA	NA	NA	NA	-17.1	-10.7	-6.5	-9.6
Total Foreign Investment	Million US$											
- Foreign Direct Investment/[10]	Million US$	NA	NA	NA	NA	NA	NA	NA	423.5	228	360.8	355
- Portfolio Investment	Million US$	NA	NA	NA	NA	NA	NA	NA	0.1	53.1	-53.3	0.0
External Debt and Forex Liabilities/[10]	Million US$	315.7	379.3	557.6	828.3	878.7	933.7	961.7	913.4	815.9	793.2	836.2
External Debt and Forex Liabilities	% of forex earnings	NA	NA	NA	NA	NA	NA	NA	37.3	33.4	27.9	26.2
Short-term debt to GDP	%											
External Debt Servicing Ratio/[12]	***	NA	NA	NA	NA	NA	NA	NA	2.7	3.3	2.1	2.7
Exchange Rate/[11]	Per US$	12.8	12.8	12.8	12.8	12.8	12.8	12.8	15.4	15.4	15.4	15.4
Foreign Exchange Reserves	Million US$	203.6	186.4	231.6	308.4	240.6	261	350.2	334.9	304.5	368.3	614.7
IV. Monetary & Capital Market												
Growth Rate of M1/[12]	y-o-y	19.7	22.5	22.2	20.0	37.1	22.3	1.1	8.7	2.9	23.6	7.5
Growth Rate of M2/[13]	y-o-y	31.4	10.6	18.9	24.1	21.8	14.4	14.6	20.0	4.9	18.4	14.7
Growth Rate of M3/[14]	y-o-y	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Weighted Avg Lending Rate/[15]	%	NA	NA	NA	NA	NA	NA	10.4	10.2	10.5	11.4	11.4
Credit growth to Private Sector	%	58.1	59.6	48.6	49.4	29.7	-4.1	-2.3	5.9	-9.9	0.9	3.3
Stock Market (Price Index)/[16]	2002=100	239.6	199.8	137.6	342.7	287.1	229.6	211.2	157.4	149.7	114.6	134.1
Market Capitalisation (as leading stock mkt)	Domestic Currency in million	NA	1113.3	766.8	11450.2	2246.1	1862.0	1726.1	1286.9	7528.1	NA	NA
Market Capitalisation (as leading stock mkt)	% of GDP	NA	8.76	4.6	58.01	9.28	7.33	6.32	4.09	22.05	NA	NA
Market Capitalisation (as leading stock mkt)	million US$	NA	86.97	59.91	894.54	175.48	145.47	134.85	83.51	489.95	NA	NA
V. Banking Sector Indicators												
Capital adequacy ratio	%	23.54	19.81	16.73	17.21	17.47	20.97	24.70	28.90	29.30	35.80	35.20
Non performing loans	%	10.26	6.37	6.59	2.36	1.59	8.90	12.70	17.20	19.40	21.00	17.70
Profitability (R.O.E.)	%	20.50	37.00	40.80	53.50	30.75	19.04	13.70	11.60	15.00	13.60	23.50
Profitability (R.O.A.)	%	2.12	4.50	4.80	6.40	4.09	3.13	2.20	2.00	2.60	2.50	5.00

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

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

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

Footnotes

1. Refers to nominal GDP per capita (PPP $).
2. Real GDP at market prices.
3. GDP by sector as a percent of GDP, agriculture refers to primary sector, industry refers to secondary sector and services refer to tertiary sector.
4. Maldives Male' series 12 month moving average is taken for Headline Inflation and Food Inflation.
5. 5 - Refers to inflation in "Food and non-alcoholic beverages" for the Male' series.
6. 6 - Since CPI basket was rebased in June 2012, nonfood inflation series is not available as data is not available for the period before June 2012.
7. Revenue collection (CSR) is the total revenue including grants. The exchange rate (MVR/USD) used applied from 2004-2010 is 12.8; to 2011 is 14.71; 2012-2014 is 15.39. These are the average of the monthly reference rates (mid-rate of the buying and selling rates) for the year.
8. Public Debt refers to Public and publicly guaranteed (medium and long term)debt of Total external debt outstanding and disbursed.
9. Balance of payments data is only available from 2011 onwards as the methodology and assumptions of BOP data have been revised.
10. Government and Commercial Banks' External Debt stock outstanding Debt service (Principle and Interest Payment) divided by Export of Goods and Services (XGS).
11. End of period reference rate.
12. This refers to the narrow money.
13. This refers to the broad money or total liquidity.
14. M3 is not calculated in Maldives.
15. This refers to the Weighted average lending rate to the private sector in national currency which is available from 2010 onwards.
16. Stock market index (2002=100) represents the end of period.
17. NA refers to not available.

NEPAL

RECENT OVERALL MACROECONOMIC DEVELOPMENTS

Real Sector

The economy is estimated to grow by 5.5 percent at producers prices in 2014/15. While the growth of agricultural sector and non-agricultural sector is estimated to remain at 5.3 percent and 4.7 percent respectively. Among the non agricultural sector, industry and service sector grew by 2.7 percent and 6.1 percent respectively in 2013/14.

Price Situation

The y-o-y inflation as measured by the consumer price index, increased by 6.8 percent in December 2015 compared to 9.7 percent in the corresponding period of the previous year. The indices of food and beverage group and non-food and services group increased by 9.0 percent and 5.1 percent respectively during the review period.

Monetary Situation

Broad money supply (M2) increased by 5.8 percent in the six months of 2014/15 compared to an increase of 9.0 percent in the corresponding period of the previous year. Narrow money supply (M1), on the other hand, increased by 1.6 percent during the review period compared to an increase of 8.9 percent in the same period of the previous year. Claims on private sector increased by 11.5 percent during the review period compared to 8.9 percent in the corresponding period of the previous year.

Net foreign assets (after adjusting foreign exchange valuation gain/loss) increased by 5.7 percent to Rs. 34.26 billion during the review period compared to an increase of 16.5 percent to Rs. 77.19 billion in the corresponding period of the previous year. Decelerated growth of remittance inflow accompanied by a decline in grant inflows resulted in such a slow growth of net foreign assets in the review period.

NRB mopped up liquidity of Rs. 75.00 billion through deposit auctions and Rs. 260.50 billion through reverse repo auction on cumulative basis during six months of 2014/15.

Interest Rate Structure

The weighted average 91-day Treasury bill rate stood at 0.1561 percent in the review period compared to 0.47 percent in the same period of the previous year. The weighted average inter-bank rate among commercial banks remained at 0.15 percent in December 2014 compared to 0.21 percent in the same period of the previous year. Weighted average "interest rate spread" of commercial banks stood at 4.50 percent in December 2014 compared to 4.48 percent in December 2013.

Fiscal Situation

During the six months of 2014/15, government budget on cash basis remained at a surplus of NRs. 64.95 billion (USD 655.2 million). Such budget deficit was NRs. 56.10 billion (USD 565.92 million) in the corresponding period of the previous year. Similarly, revenue mobilization increased by 16.6 percent to NRs. 190.52 billion in the review period compared to a growth of 21.5 percent in the corresponding period of the previous year. During the six months period of 2014/15, total government expenditure on cash basis grew by 14.4 percent to Rs. 153.71 billion compared to a growth of 25.4 percent in the corresponding period of the previous year.

External Sector Situation

Merchandise exports decreased by 3.9 percent to NRs. 43.39 billion during the six months of 2014/15. Such exports had increased by 15.0 percent during the same period of the previous year. In the same period, imports surged by 13.3 percent to Rs. 378.22 billion in the six months of 2014/15 compared to arise of 23.1 percent in the same period of the previous year.

The overall BoP recorded a surplus of Rs. 34.26 billion (USD 343.0 million) during the six months of 2014/15 compared to a surplus of Rs. 77.19 billion (USD 778.67 million) during the same period of the previous year. The current account posted a surplus of Rs. 13.65 billion (USD 936.9 million) in the review period compared to a surplus of Rs. 55.02 billion (USD 553.2 million) in the same period of the previous year. Workers' remittances grew by 3.9 percent to Rs. 275.96 billion (USD 2783.82 million) in the review period compared to a growth of 34.4 percent in the same period of the previous year. The gross foreign exchange reserves increased by 5.9 percent to Rs. 704.44 billion (USD 7106.22 million) in the review period. The existing level of reserves was sufficient for financing merchandise and services imports of 9.8 months.

HIGHLIGHTS ON MAJOR POLICY ANNOUNCEMENTS

Monetary Policy for the fiscal year 2014/15 has adopted slightly tight policy stance to address long standing excess liquidity situation in the banking system and its likely adverse impact on inflation, external sectors and financial stability. The monetary policy for 2014/15 has set the target of containing annual average CPI inflation at 8 percent and maintaining foreign exchange reserves sufficient to cover the import of goods and services for at least 8 months. Inflation has come down to 6.8 percent in the first six months of the current fiscal year which provides favorable ground to achieve targeted level of inflation. Foreign exchange reserves would be sufficient to cover the import of goods and services for at least 8 months during the next six months. In addition, the monetary policy has also made an arrangement for providing adequate liquidity to support the targeted economic growth of 6 percent. The growth rate of broad money was projected to remain at 16.0 percent for 2014/15.

The CRR to be maintained by BFIs has been fixed at 6 percent for "A" class, 5 percent for "B" class and 4 percent for "C" class financial institutions. The bank rate has been kept unchanged at 8 percent. The refinance rate for agriculture, hydropower, livestock and fishery and other specified productive sectors has been set to 4 percent. Likewise, three types of Open Market Operation (OMO) instruments such as Regular, Fine-tuning and Structural options has been implemented as an when necessary to curb the shortage/excess of liquidity seen in the financial market.

As prescribed in the "Financial Sector Assessment Program" recently conducted with the assistance of the IMF and the World Bank, Payment System Development Strategy has been issued and Payment and Settlement Act is in the process of parliamentary sanction. Separate "Payment and Settlement" Division has been established in order to strengthen payment and settlement system through the implementation of Real Time Gross Settlement System (RTGS).

New Capital Adequacy Framework has been prepared and "Basel III Implementation Task Force" has been created to implement the Basel III in the banking system. Liquidity Monitoring of Commercial Banks under Basel III approach is in the final stage

KEY ECONOMIC INDICATORS OF NEPAL

Indicator	Unit	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15*
I. Real Sector												
Per Capita GDP	US$	328	350	410	491	497	610	714	702	707	703	NA
Real GDP Growth at Producer's Price	%	3.5	3.4	3.4	6.1	4.5	4.8	3.4	4.8	3.9	5.5	NA
Current GDP at Producer's Price	Billion US$	8.3	9.0	10.3	12.5	12.9	16.0	18.9	18.9	19.2	19.4	NA
Agriculture	% of GDP	35.2	33.6	32.5	31.7	33.0	35.4	37.1	35.2	33.9	33.1	NA
Industry	% of GDP	17.1	16.7	16.6	16.8	15.9	15.1	14.9	15.0	15.2	14.7	NA
Services	% of GDP	47.7	49.7	50.9	51.5	51.2	49.5	48.0	49.8	51.0	52.2	NA
Investment	% of GDP	26.5	26.9	28.7	30.3	31.7	38.3	38.0	34.5	36.9	37.1	NA
National Savings	% of GDP	28.4	29.0	28.6	33.2	35.9	35.9	37.0	39.5	40.3	46.4	NA
Headline Inflation	%	4.5	8.0	6.4	7.7	13.2	9.6	9.6	8.3	9.9	9.1	6.8
- Food Inflation	%	4.0	7.8	7.2	10.1	16.7	15.1	14.7	7.7	9.6	11.6	9
- Non-Food Inflation	%	5.1	8.1	5.5	5.1	9.5	4.9	5.4	9.0	10.0	6.8	5.1
- Core inflation	%	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
II. Fiscal Sector												
Revenue Collection (CSR)	Billion US$	1.0	1.0	1.2	1.7	1.9	2.4	2.8	3.0	3.4	3.6	2.2
Fiscal Deficit (excluding grants)	% of GDP	-5.5	-5.9	-6.3	-6.6	-7.7	-6.7	-7.0	-6.2	-3.5	-4.7	1.4
Fiscal Deficit (including grants)	% of GDP	-3.1	-3.8	-4.1	-4.1	-5.0	-3.5	-3.6	-3.5	-1.5	-2.2	2.0
Public Debt*	% of GDP	3.1	3.1	3.8	3.6	2.9	3.4	4.0	3.1	1.8	3.5	0.3
- of which foreign currency	% of GDP											
- domestic debt#	% of GDP	1.5	1.8	2.5	2.5	1.9	2.5	3.1	2.4	1.1	2.3	0.0
- debt servicing^	% of total revenue	28.2	28.3	26.1	21.1	18.8	16.0	15.1	14.5	16.4	16.6	8.4
III. External Sector												
Exports (f.o.b)	Billion US$	0.8	0.9	0.9	1.0	0.9	0.9	1.0	1.0	1.0	1.0	0.5
Imports (f.o.b.)	Billion US$	2.0	2.4	2.7	3.4	3.6	5.0	5.4	5.6	6.2	7.1	3.8
Trade Deficit	Billion US$	-1.2	1.5	1.8	2.4	-2.7	-4.1	-4.4	-4.6	-5.3	-6.1	-3.3
Remittances	Billion US$	0.9	1.4	1.4	2.2	2.7	3.1	3.5	4.4	4.9	5.5	2.8
Current Account Balance	Billion US$	0.2	0.2	0.1	0.4	5.4	-0.4	-0.2	0.9	0.6	0.9	0.1
Current Account Balance	% of GDP	1.9	2.3	0.4	3.0	4.2	-2.4	-0.9	4.5	3.4	4.7	
Total Foreign Investment	Million US$	1.9	-6.5	5.1	4.5	23.8	39.0	90.0	112.5	102.0	32.5	10.5
- Foreign Direct Investment	Million US$	1.9	-6.5	5.1	4.5	23.8	39.0	90.0	112.5	102.0	32.5	10.5
- Portfolio Investment	Million US$	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
External Debt and Forex Liabilities	Billion US$	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
External Debt and Forex Liabilities	% of forex earnings	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Short-term debt to GDP	%	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
External Debt Servicing Ratio		NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Exchange Rate@	Per US$	70.4	74.1	64.9	68.5	78.1	74.4	71.0	88.6	95.0	95.9	99.1
Foreign Exchange Reserves	Billion US$	1.9	2.2	2.6	2.6	3.7	3.6	3.8	5.0	5.6	6.9	7.1
IV. Monetary & Capital Market												
Growth Rate of M_1	y-o-y	6.6	14.2	12.2	21.6	27.3	11.1	4.8	18.6	14.4	17.7	1.6
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	5.8
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	6.1
Weighted Avg Lending Rate	%	NA	NA	NA	NA	NA	NA	NA	12.4	12.1	10.6	9.8
Credit growth to Private Sector	%	14.2	14.4	12.3	24.3	29.0	17.9	13.9	11.3	20.2	18.3	11.5
Stock Market (Price Index)	1991=100	286.7	386.8	683.9	963.4	749.1	477.7	362.9	389.7	518.3	1036.1	939.5
Market Capitalization (as leading stock mkt)	Domestic Currency in Billion	61.4	96.8	186.3	366.2	512.9	376.9	323.5	368.3	514.5	1057.2	963.4
Market Capitalization (as leading stock mkt)	% of GDP	10.4	14.8	25.6	44.9	51.9	31.6	23.7	24.1	30.4	54.8	50.0
Market Capitalization (as leading stock mkt)	Billion US$	0.9	1.3	2.7	5.7	6.7	5.1	4.5	4.6	5.9	10.8	9.6
V. Banking Sector Indicators												
Capital adequacy ratio	%					7.2	9.6	10.6	11.5	13.2	12.7	NA
Non performing loans	As % of total loan					3.6	2.5	3.2	2.6	2.6	3.8	NA
Profitability (R.O.E.)	%	NA	NA	NA	NA	NA	NA	NA	11.4	13.2	14.4	NA
Profitability (R.O.A.)	%	NA	NA	NA	NA	NA	NA	NA	1.2	1.4	1.5	NA

2014-15* = First Six months

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), 2001that 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 (buying) of the last day of the fiscal year; ** = Including the consolidated balance sheet of 'B' and 'C' class Financial Institutions since July 2011.

PAKISTAN

RECENT OVERALL MACROECONMIC DEVELOPMENTS

Key macroeconomic indicators of Pakistan's economy have improved further during the first half of FY15. During this period, CPI inflation and expectations about the future direction of average prices in the country continued to follow a downward trajectory. Similarly, fiscal deficit contained which helped improved credibility of the government policies. With these developments, the macroeconomic outlook for remaining half of FY15 presents a positive picture.

Government has set GDP growth target of 5.1 percent for FY15 which is higher than 4.1 percent in FY14. In view of high expectations of activities, the government has also set relatively higher growth targets for industry (21.2 percent) and services sector (58.2 percent), while slightly lower target for agriculture sector (20.7perecent). Amid improving macroeconomic conditions, business sentiments are likely to strengthen further.

The average CPI inflation has come down to 6.1 percent during H1-FY15. This decline is broad based as both food and non-food inflation have declined following better supply conditions and plummeting international oil price, lagged impact of earlier conservative monetary policy stance, moderating aggregate demand, and stable exchange rate. The core inflation also decelerated to 6.7 percent.

The money supply (M2) has shown an increase of 4.1 percent during H1-FY15. The private sector has borrowed Rs. 224.5 billion. However, the credit to private sector uptake during H1-FY15 is lower than the credit uptake of Rs325.8 billion during the same period last year. Significant government borrowing from commercial banks, partly caused low private sector credit off-take. Further, the demand for bank loans was also low due to soft commodity prices (especially cotton, rice, and sugarcane), and a slowdown in LSM. Howevcer, the credit to private sector is expected to pick up in H2 FY15, as reduction in interest rate stimulates credit demand by businesses. The supply side of credit to private sector may also improve, as the government borrowings is likely to remain within the IMF targets due to availability of funds from external resources.

The fiscal deficit contained during H1-FY15 despite substantial increase in interest payments in Q1-FY15. However, the government managed to contain expenditures related to Public Sector Enterprises (PSEs). As against this, it increased the developmental spending compared to last year. As regard government revenue, the growth in revenue collection moderated due to downward adjustment in petroleum prices and slowdown in Large-scale manufacturing. Going forward, overall expenditures could increase due to higher security related expenditures. This along with expected shortfall in the revenues could make meeting the fiscal deficit target more challenging.

On the external front, Pak economy remained strong during H1- FY15 due to fall in international oil prices and robust growth in remittances. Specifically, the decline in oil prices saved about US$ 620 million in the country's oil import bill, whereas a healthy growth in remittances financed almost 40 percent of the country's import bill. While export growth will probably remain modest, the country's import bill will continue to be comfortable due to lower oil prices and imposition of regulatory duty on a number of items.

Since September 2014, the market sentiments in the country have imrpved due to a variety of factors, includiung: (i) receipt of CSF payments; (ii) global oil prices slumped to multi-year low in October 2014, auguring well for the country's trade deficit; and (iii) successful completion of government's 4th and 5th Review with the IMF in November 2014 that gave rise to expectations of combined disbursement of two tranches worth US$ 1.1 billion in December 2014. Led by these sentiments, PKR posted a 1.1 percent appreciation in November 2014, despite a US$ 396 million decline in SBP liquid reserves during the month on account of IMF and other debt repayments. The IMF disbursement and successful issuance of Sukuk in the international market boosted FX reserves by US$ 2.1 billion in December 2014.These developments have been instrumental in improving sentiments in the foreign exchange market and have supported SBP in its reserve building efforts. With IMF program on track and expected proceeds from privatization and official flows, the net SBP reserves are likely to increase further. However, non realization of planned privatization proceeds and lack of private inflows could pose risks in achieving a sustainable BoP position.

Going forward, higher expected foreign inflows during H2-FY15 are expected to relieve some of the pressure of government borrowings from the banking system. Also, the implementation of reforms is likely to improve the overall business environment in Pakistan. Moreover, improvement in the security conditions could also provide a positive signal to foreign private investors. Reinitiating of privatization process will also attract foreign investment in the country.

HIGHLIGHTS ON MAJOR POLICY ANNOUNCEMENTS

Latest Monetary Policy Statement

SBP reduced its policy rate by by 50 bps to 9.5 percent in November 2014. This decline is explained by smooth food supplies, which contained the price of perishable items; falling administered prices, which incorporate the fall in international commodity prices, especially oil; low inflation expectations, as witnessed by consumer confidence surveys; and a significant base effect. SBP supplemented the decision with increased OMO injections from November 2014 onwards. These injections helped commercial banks meet the liquidity needs of both the government and private sector.

Accordingly, the SBP Overnight Reverse Repo (Ceiling) rate decreased from 10.00% to 9.50% p.a. whereas the SBP Overnight Repo facility remained at 7.00% p.a. This also serves as the 'Floor' for the Interest Rate Corridor. Hence, the Floor and Ceiling levels for the Interest Rate Corridor are fixed at 7.00% and 9.50% p.a. respectively. (i.e. width of 250bps).

Other Policy Changes

- SBP issued guidelines on Value Chain Contract Farmer Financing to encourage banks to extend credit to small and marginalized farmers by leveraging on the strengths of interrelationships that exist in the agriculture value chain. These guidelines will serve as a basis for banks to develop mutually beneficial relationship between the banks, farmers and the value chain agent. Value Chain Contract Farmer Financing schemes are broadly defined as binding arrangements between banks and agri. value chain actors, including producers, processors, aggregators, traders through which a farmer or group of farmers ensures supply of agricultural products to individual firms. It replaces the traditional collateral requirements with trade agreements by facilitating coordinated commercial relations between value chain actors. SBP has advised the commercial banks to use the guidelines for developing their own products for providing credit to contract farmers particularly to those who lack collateral to offer the banks. Successful adoption of the guidelines will improve depth and spectrum of agri.financing to escalate rural household incomes and economic growth of the country.
- SBP has issued instructions on Financial Consumer Protection, its significance, global developments and bank's own expected role viz a viz the Financial Consumer Protection. It requires all Banks/DFIs/MFBs to develop and implement their own Framework on "Fair Treatment of Consumers" (FTC), duly approved by their BODs and implemented by July 1, 2015. SBP also issued several market conduct instructions for banks.
- SBP has revised Prudential Regulations (PRs) for Microfinance Banks (MFBs) to further improve their governance structure, consumer protection practices, and anti-money laundering (AML) policies. The revised regulations, among other areas, define role and responsibilities of board of directors, require induction of two independent directors, and prescribe fit and proper test for the appointment of key executives of MFBs. Also they are required to improve their consumer protection policies through basic financial literacy programs, enhanced transparency & disclosures, fair debt collection practices, and effective complaint redressal mechanism. Similarly, MFBs will implement comprehensive AML framework covering areas such as customer identification and verification requirements, ongoing & enhanced due diligence, record retention, and cash & suspicious transactions reporting in line with the standards prescribed by Financial Action Task

Force (FATF). Further, instructions in certain areas of risk management and operations have also been revised.

- With a view to encourage the conventional banks to upscale their Islamic banking operations by establishing Islamic banking subsidiaries, SBP has revised the initial paid-up capital requirement to Rs.6 billion. However, the intending Islamic banking subsidiary shall be required to raise its paid-up capital (net of losses) upto Rs.10 billion within a period of 5 years from the date of commencement of its operations. In this regard, the bank will have to submit a capital plan/ projection for meeting the MCR of Rs.10 billion duly approved by the BoD of the parent company at the time of applying for banking license to SBP. Subsequently, these projections will be endorsed by the subsidiary's board. During the transitory period of five (5) years, the Islamic banking subsidiary shall maintain the following variable CAR requirement depending on the MCR level held:

MCR Level	CAR Requirement
Rs. 6 billion	16%
Rs. 7 billion	15%
Rs. 8 billion	14%
Rs. 9 billion	13%
Rs. 10 billion	As per CAR applicable under Basel-III rules

  No cash dividend shall be paid till such time the subsidiary meets the MCR of Rs. 10 billion and prescribed CAR requirements. In addition to the above, the parent bank shall meet the minimum applicable CAR, on consolidated as well as on standalone basis.

- SBP has revised the Prudential Regulations on Risk Management and Operations for Corporate & Commercial Banking. The revised regulations aim to assist banks/DFIs in better addressing their unique risk factors and dynamic environment by giving more discretion in business decisions. These regulations also describe minimum prudential benchmarks in critical risk areas to balance the considerations of financial stability of banks/DFIs vis-à-vis diversity and innovation. However, these Prudential Regulations do not supersede directives and instructions issued by the State Bank of Pakistan in respect of areas not covered under these regulations..

- In order to facilitate Islamic Banking industry in their liquidity management and more effective transmission of monetary policy, it has been decided that SBP may outright purchase or sale Government of Pakistan Ijara Sukuk (GIS) either on deferred payment basis (Bai-Muajjal) or on ready payment basis through Open Market Operations (OMOs) based on multiple price competitive bidding auction process.

KEY ECONOMIC INDICATORS OF PAKISTAN

	Unit	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13 ^{P}	2013-14^{P}	FY15^{P} (Jul-Dec 2014)
I. Real Sector											
Per Capita GDP	US$	897	980	1053	1026	1072	1274	1321	1340	1386	-
Real GDP Growth	%	5.8	6.8	3.7	1.7	3.1	3.0	4.4	3.7^{R}	4.1	5.1^{T}
Nominal GDP (MP)	Billion US$	127.3	143.0	163.5	161.8	176.5	214	225	232	247	-
Agriculture	% of GDP	22.5	21.9	21.3	21.8	21.3	21.2	21.1	21.2	21.0	20.7^{T}
Industry	% of GDP	25.9	26.3	25.8	25.3	26.0	25.5	25.4	20.9	20.8	21.2^{T}
Services	% of GDP	51.7	51.8	52.9	52.9	52.6	53.4	53.5	57.7	58.1	58.2^{T}
Investment	% of GDP	23.6	22.5	22.1	18.2	15.6	13.1	14.9	14.6^{R}	14	15.7^{T}
National Savings	% of GDP	18.2	17.4	13.6	12.5	13.1	13.2	12.8	13.5	12.8	14.6^{T}
Headline Inflation (yoy)	%	7.92	7.77	12.00	17.0	10.10	13.66	11.0	7.4	8.6	6.1
- Food Inflation (yoy)	%	6.90	10.30	17.60	23.70	12.9	18.00	11.0	7.1	9.0	5.1
- Non-Food Inflation (yoy)	%	8.60	6.00	7.90	18.40	8.2	10.70	11.0	7.5	8.3	6.8
- Core inflation (yoy)	%	7.50	5.90	8.40	17.60	7.6	9.40	10.6	9.6	8.5	5.2
II. Fiscal Sector											
Revenue Collection	Billion US$	18.0	21.4	23.9	23.5	24.8	26.3	27.8	30.78	35.35	
Fiscal Deficit	% of GDP	4.27	4.35	7.59	5.35	6.28	6.62	8.8 $^{\$}$	8.2	5.5^{R}	4.9^{T}
Public Debt	% of GDP	57.7	57.2	60.7	61.5	61.4	60.1	64.5	64.8^{R}	64.3^{R}	57.0#
- of which foreign currency	% of GDP	28.7	27.5	29.7	32.3	33.0	31.2	30.9	26.8 ^{R}	25.5	22.7#
- domestic debt	% of GDP	30.6	30.1	31.9	29.2	31.3	32.9	38.1	42.3^{R}	42.9	38.2#
Public Debt Servicing	% of total revenue	36.6	36.7	37.2	46.6	47.1	45.0	49.3	51.6	72.3	
III. External Sector											
Exports (f.o.b)	Billion US$	16.5	17.0	19.1	17.7	19.3	24.8	24.7	24.8	25.2	12.2
Imports (c.i.f)	Billion US$	28.6	30.5	40.0	34.8	34.7	40.4	40.5	40.2	41.8	22.02
Trade Balance	Billion US$	-12.1	-13.6	-20.9	-17.1	-15.4	-15.6	-15.7	-15.4	-16.6	-9.8
Remittances	Billion US$	4.6	5.5	6.5	7.8	8.9	11.2	13.2	13.9	15.8	9.8
Current Account Balance	Billion US$	-5.0	-6.9	-13.9	-9.3	-3.9	0.2	-4.7	-2.5	-3.0	-2.3
Current Account Balance	% of GDP	-3.9	-4.8	-8.5	-5.7	-2.2	0.1	-2.1	-1.1	-1.2	-1.1^{T}
Total Foreign Investment	Million US$	6047	8688.6	5574.8	2646.8	2086	1979.2	707.8	1580.6	4377.4	1662
- FDI	Million US$	3521	5140	5410	3720	2151	1634.7	820.6	1258	1483	479
- Portfolio Investment	Million US$	986	3283	32	-1073	-65	344.5	-112	26	2766	1183
External Debt and Forex Liabilities	Billion US$	37.2	40.3	46.2	52.3	61.6	66.4	65.5	60.9	61.8	-
EDL/FEE	Percent	123.0	127.9	131.3	152.7	166.5	143.8	140.8	120.0	160.0@	-
Short-term external debt	% of GDP	0.13	0.05	0.49	0.43	0.56	0.34	0.23	0.0	0.21	-
External Debt Servicing Ratio	***	9.3	8.8	8.7	13.5	12.3	8.4	9.5	-	-	-
Exchange Rate (average)	Per US$	59.88	60.64	62.63	78.62	83.89	85.56	89.27	96.85	102.88	101.3
Foreign Exchange Reserves	Billion US$	13.2	16.6	11.6	12.8	16.7	18.2	15.3	11.01	14.1	15.3
IV. Monetary & Capital Market											
Growth Rate of M_1	y-o-y	13.13	16.0	4.6	9.8	14.1	17.5	13.9	20.7	14.4	4.2
Growth Rate of M_2	y-o-y	15.1	18.9	11.9	9.5	13.0	16.7	13.4	16.6	11.7	4.1
Growth Rate of M_3	y-o-y		16.3	10.9	12.5	13.7	16.3	12.7	17.1	11.5	4.8
Weighted Avg Lending Rate	%	9.93	10.32	12.75	14.32	13.22	14.25	13.13	10.56	10.37	10.28
Credit growth to Private Sector	%	23.5	17.3	16.5	0.7	3.9	4.0	7.5	-0.56	10.3	224.5
Stock Market (Price Index)	1991=1000	9989.4	17772.5	12289	7162.2	9721.9	12496.6	13801.4	21005.7	29653	32131
Market Capitalization (as leading stock mkt)	PKR Billion	2766.4	4019.4	3777.7	2120.7	2732.4	3288.7	3518.1	5154.7	6044	7239
Market Capitalization (as leading stock mkt)	% of GDP	36.3	46.3	36.9	16.7	18.5	18.2	17.0	22.5	24.7	-
Market Capitalization (as leading stock mkt)	Billion US$	45.9	66.5	55.3	26.1	32.0	38.2	37.2	53.2	58.75	71.46
V. Banking Sector Indicators											
Capital adequacy ratio (CAR)	%	12.7	12.3	12.2	14.0	13.9	14.1	15.1	15.5	15.1	17.1
Non-performing loans	%	6.9	7.6	10.5	12.6	14.9	15.3	15.9	14.8	12.8	12.3
Before Tax Profitability(R.O.E.)	%	35.2	22.6	11.4	13.2	15.5	21.8	25.9	18.5	23.5	24.3
Before Tax Profitability (R.O.A.)	%	3.1	2.2	1.2	1.3	1.5	2.1	2.4	1.7	2.1	2.2

Source: Pakistan Bureau of Statistics; State Bank of Pakistan, Ministry of Finance. **Note**: P= Provisional; T= Annual Target for FY15; BE= Budget Estimates for FY14; $Fiscal deficit includes PSEs debt adjustment; GDP in dollar terms is calculated using average exchange rate during the year; '-':Data not available., #: Available up to September 2014..

Definitions:

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

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

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

SRI LANKA

RECENT OVERALL MACROECONOMIC DEVELOPMENTS

The economy expanded by 7.4 per cent in 2014, largely supported by conducive macroeconomic conditions reflected by subdued inflation and historically low interest rates. The Services and the Industry sectors propelled the economy forward in 2014, while the Agriculture sector growth was slowed down due to unfavourable weather conditions. The industry sector grew by 11.4 per cent in 2014, largely driven by construction and manufacturing activity. The services sector grew by 6.5 per cent, with high growth in wholesale and retail trade activity, transport, communication, banking, insurance and real estate services. The Agriculture sector grew marginally by 0.3 percent, largely impacted by the lower paddy production in 2014 due to adverse weather conditions in the cultivation seasons.

Inflation has remained at single digit levels for the sixth consecutive year, reflecting the impact of prudent demand management, improved supply conditions and effectively contained inflation expectations. Year-on-year inflation decelerated to 2.1 per cent by December 2014. Annual average inflation continued its decelerating trend and reached 3.3 per cent in December 2014. Meanwhile year-on-year core inflation was 3.2 per cent while annual average core inflation was 3.5 per cent in December 2014.

The external sector recorded a satisfactory progress during 2014 with a lower current account deficit and a surplus in the overall balance of payments. The overall trade deficit expanded by 8.9 per cent, year-on-year, in 2014. However, as a percentage of GDP, the trade deficit declined to 11.1 per cent in 2014 from 11.3 per cent in 2013. Earnings from exports grew by 7.1 per cent in 2014 compared to the previous year and reached US dollars 11,130 million, reflecting increases in all major categories, while expenditure on imports grew by 7.9 per cent to US dollars 19,417 million in 2014. Foreign currency inflows to the financial account by way of foreign direct investment and inflows on account of the government, banking and private sectors resulted in a BOP surplus of US dollars 1,369 million in 2014 compared to a surplus of US dollars 985 million recorded in 2013. Consequently, the gross official reserves, increased to US dollars 8.2 billion at end 2014 compared to US dollars 7.5 billion recorded at end 2013. Meanwhile, total foreign assets, which includes foreign financial assets of deposit taking corporations stood at US dollars 9.9 billion at end 2014 and was equivalent to 6.1 months of goods imports and 5.1 months of goods and services imports. The Sri Lankan rupee, which appreciated by 0.29 per cent against US dollar during the first nine months of the year on the backdrop of increased earnings from exports of goods and services, higher workers' remittances and inflows to the financial account, depreciated by 0.47 per cent during the fourth quarter of 2014. Increased demand for US dollars by importers and some outflow of short term investment were the main reasons for the depreciation of the Sri Lankan rupee in the fourth quarter of 2014. Consequently, the Sri Lanka rupee depreciated by 0.23 per cent against the US dollar to Rs. 131.05 at end of 2014, despite the rupee appreciated against all major currencies as per the cross currency exchange rate movements.

Fiscal policy targeted to reduce the budget deficit further, while encouraging investment to support a higher economic growth with macroeconomic stability. Accordingly, budget deficit was targeted to reduce to 5.2 per cent of GDP in 2014 from 5.9 per cent of GDP in 2013. However, the budget deficit recorded as 6.0 per cent of GDP in 2014, reversing the declining trend experienced in the past few years. This was an outcome of the decline in government revenue to 12.2 per cent of GDP due to shortfall in tax revenue below the anticipated levels despite the favourable developments recorded in the expenditure front. The recurrent expenditure as a percentage of GDP declined to 13.5 per cent in 2014 from 13.9 per cent in the previous year, while the capital expenditure and net lending declined to 4.8 per cent of GDP from 5.4 per cent in 2013. The government turned mainly to non-inflationary non-bank sector to financing the budget deficit in 2014.

HIGHLIGHTS ON MAJOR POLICY ANNOUNCEMENTS

The easing of monetary policy continued and in order to ensure the stability of short term interest rates and to further reduce interest rate spreads in financial markets, the Standing Lending Facility Rate (SLFR) was reduced by 50 basis points to 8.00 per cent in January 2014, while the Standing Deposit Facility Rate (SDFR) remained unchanged at 6.50 per cent, during the year. With this reduction of SLFR, the Standing Rate Corridor (SRC) of the Central Bank was compressed to 150 basis points from 200 basis points. Meanwhile, considering the Central Bank's zero credit risk in rupee transactions, the Standing Deposit Facility (SDF) of the Central Bank was uncollateralised from February 2014, while other transactions under Open Market Operations (OMO) continued to remain collateral based. In response to these measures, overnight market interest rates declined notably below the lower bound of the SRC, while other market interest rates also declined to historic lows during 2014. With the support of low interest rates and the dissipating impact of the contraction in pawning advances, the private sector credit rebounded during the latter part of 2014. Accordingly, credit to the private sector, on a year-on-year basis, grew by 8.8 per cent recording an overall increase of Rs. 223.8 billion by end 2014. Considering signs of sustained credit growth in 2015, the SDF rationalisation was removed with effect from 02 March 2015. With effect from 28 May 2014 further measure taken to liberalize several Exchange Control Regulations to further enhance the external competitiveness of Sri Lanka in the global market. These include permission to foreign investors to invest in non-listed debentures, in addition to listed debentures, through the Securities Investment Account, widening the eligibility to obtain an Electronic Fund Transfer Card, general permission granted to Licensed Commercial Banks to issue travel cards to their customers and removal of the prevailing restriction on extending a Letter of Credit. With regard to the banking sector, minimum regulatory prescriptions in the form of guidelines were issued by the Central Bank on the computation of risk-weighted assets for operational risk under the Standardised Approach of Basel II - Capital Adequacy Framework, Baseline Security Standard for Information Security Management, and Stress Testing, while directing banks to adopt prudent policies and procedures on valuation of immovable property. In addition, an internal risk rating model and an early warning system for leasing and finance companies were implemented during the year to identify risks and take proactive corrective actions.

KEY ECONOMIC INDICATORS OF SRI LANKA

	Unit	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
I. Real Sector											
Per Capita GDP	US$	1,241	1,421	1,617	2,011	2,054	2,397	2,836	2,922	3,280	3,625
Real GDP Growth	%	6.2	7.7	6.8	6.0	3.5	8.0	8.2	6.3	7.2	7.4
GDP (MP)	Billion US$	24.4	28.3	32.4	40.7	42.1	49.6	59.2	59.4	67.2	74.9
Agriculture	% of GDP	11.8	11.3	11.7	13.4	12.7	12.8	12.1	11.0	10.8	9.9
Industry	% of GDP	30.2	30.6	29.9	29.4	29.7	29.4	29.9	31.5	32.5	33.8
Services	% of GDP	58.0	58.0	58.4	57.2	57.6	57.8	58.0	57.5	56.8	56.3
Investment	% of GDP	26.8	28.0	28.0	27.6	24.4	27.6	29.9	30.6	29.5	29.7
National Savings	% of GDP	23.8	22.3	23.3	17.8	23.7	25.4	22.1	24.0	25.8	27.0
Headline Inflation (b)	%	11.0	10.0	15.8	22.6	3.5	6.2	6.7	7.6	6.9	3.3
- Food Inflation	%	11.4	8.9	20.3	30.5	3.1	6.9	8.8	4.7	7.9	3.8
- Non-Food Inflation	%	10.6	10.9	12.1	15.6	3.7	5.6	5.0	10.0	6.1	2.8
- Core inflation	%	10.3	8.5	7.7	13.6	6.9	7.0	6.9	5.8	4.4	3.5
II. Fiscal Sector											
Revenue Collection	Billion US$	3.8	4.6	5.1	6	6.1	7.2	8.8	8.2	8.8	9.2
Fiscal Deficit (excluding grants)	% of GDP	-8.4	-8.0	-7.7	-7.7	-10.4	-8.3	-7.1	-6.7	-6.1	-6.1
Fiscal Deficit (including grants)	% of GDP	-7	-7	-6.9	-7	-9.9	-8	-6.9	-6.5	-5.9	-6.0
Public Debt	% of GDP	90.6	87.9	85	81.4	86.2	81.9	78.5	79.2	78.3	75.5
- of which foreign debt	% of GDP	39	37.5	37.1	32.8	36.5	36.1	35.6	36.5	34.1	31.8
- domestic debt	% of GDP	51.6	50.3	47.9	48.5	49.7	45.8	42.9	42.7	44.2	43.7
- debt servicing	% of total	91	93	88.6	90.5	118	100.4	92.5	96.8	102.2	90.0
III. External Sector											
Exports (f.o.b)	Billion US$	6.3	6.9	7.6	8.1	7.1	8.6	10.6	9.8	10.4	11.1
Imports (f.o.b.)	Billion US$	8.9	10.3	11.3	14.1	10.2	13.5	20.3	19.2	18.0	19.4
Trade Deficit	Billion US$	-2.5	-3.4	-3.7	-6.0	-3.1	-4.8	-9.7	-9.4	-7.6	-8.3
Remittances	Billion US$	2.0	2.2	2.5	2.9	3.3	4.1	5.1	6.0	6.4	7.0
Earnings from Tourism	Billion US$	0.4	0.4	0.4	0.3	0.3	0.6	0.8	1.0	1.7	2.4
Current Account Balance	Billion US$	-0.7	-1.5	-1.4	-3.9	-0.2	-1.1	-4.6	-4.0	-2.5	-2.0
Current Account Balance	% of GDP	-2.7	-5.3	-4.3	-9.5	-0.5	-2.2	-7.8	-6.7	-3.8	-2.7
Major Inflows to the Financial											
- Foreign Loans (net)	Billion US$	0.9	0.6	1.2	0.4	0.6	2.7	2.9	3.1	1.1	1.8
- Foreign Direct Investment (net)	Billion US$	0.2	0.5	0.5	0.7	0.4	0.4	0.9	0.9	0.9	0.9
- Portfolio Investment : Equity	Billion US$	0.1	0.1	0.1	0.1	0.0	-0.2	-0.2	0.3	0.2	0.2
- Portfolio Investment : Securities	Billion US$	0.0	0.0	0.4	-0.2	1.9	1.5	1.2	1.3	1.8	1.8
- Trade Credits (net)	Billion US$	0.0	0.0	0.0	0.6	0.2	-1.0	-0.2	-0.7	-0.5	-0.5
External Debt and Forex Liabilities	Billion US$	13.0	14.0	16.5	17.8	20.9	24.8	32.7	37.1	39.9	43.0
External Debt and Forex Liabilities to	%	53.3	49.4	51.0	43.7	49.7	50.1	55.3	62.5	59.4	57.4
Short-term debt to GDP	%	9.5	9.3	11.1	10.1	12.7	12.1	12.2	10.8	10.1	9.7
External Debt Servicing Ratio	% of forex earnings	6.3	9.8	10.0	13.9	16.1	11.9	9.3	13.5	16.4	14.1
Exchange Rate (Annual Average)	Per US$	100.5	104.0	110.6	108.3	114.9	113.1	110.6	127.6	129.1	130.6
Total Foreign Assets	Billion US$	4.2	4.0	5.0	3.6	7.0	8.6	8.0	8.6	8.6	9.9
IV. Monetary & Capital Market											
Growth Rate of M_1	y-o-y	22.4	12.6	2.7	4.0	21.4	20.9	7.7	2.6	7.7	26.3
Growth Rate of M_2	y-o-y	19.6	20.7	15.6	11.7	19.9	18.0	20.9	18.3	18.0	13.1
Growth Rate of M_{2b}	y-o-y	19.1	17.8	16.6	8.5	18.6	15.8	19.1	17.6	16.7	13.4
Weighted Avg Lending Rate	%	15.4	16.6	18.1	20.1	17.4	14.8	13.4	15.98	15.18	11.91
Credit growth to Private Sector (As per	%	26.3	24.0	19.3	7.0	-5.8	24.9	34.5	17.6	7.5	8.8
Stock Market (Price Index)	1991=100	229.4	324.9	303.3	179.4	404.1	792	725	673.5	*	*
Market Capitalisation (as leading stock	Domestic	584	834.8	820.7	488.8	1,092.1	2,210.5	2,213.9	2,167.6	2,459.9	3,104.9
Market Capitalisation (as leading stock	% of GDP	23.8	28.4	22.9	11.1	22.6	39.4	33.9	28.6	28.4	31.7
Market Capitalisation (as leading stock	Billion US$	5.8	7.8	7.5	4.3	9.5	19.9	19.4	17.1	18.8	23.7
V. Banking Sector Indicators											
Capital adequacy ratio	%	13.3	12.1	12.6	12.5	14.1	14.3	16.0	16.4	17.6	16.7
Non performing loans ratio (Net IIS)	%							3.8	3.7	5.6	4.2
Profitability (R.O.E.) (After Tax)	%	16.4	15.2	14	13.4	11.8	22.4	19.8	20.3	16.0	16.5
Profitability (R.O.A.) (Before Tax)	%							2.4	2.4	1.9	2.0
All Share Price Index (ASPI)	(1985=100)						6,635.9	6,074.4	5,643.0	5,912.8	7,299.0
Milanka Price Index (MPI)	(1998 Dec=1000)						7,061.5	5,229.2	5,119.1	-	-
S&P SL 20 Index	(2004 Dec=1000)						n.a.	n.a.	3,085.3	3,263.9	4,089.1

(a) Data based on CBSL Estimates

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

HIGHLIGHTS ON SAARCFINANCE, SPC AND IGEG RELATED ACTIVITIES

SAARCFINANCE Staff Exchange and Training Programmes

i) A familiarization programme was arranged in the areas of technical research studies on interconnectedness of financial institutions, early warning systems, stress testing mechanisms, integrated risk management systems and other areas related to financial system stability for 4 participants from Central Bank of Sri Lanka during July 14-18, 2014 at RBI in Mumbai. The participants also interacted with officials from Economic Policy Research, Monetary Policy and Banking Supervision departments.

ii) Nine delegates from Nepal and three delegates from Bhutan attended the "Training of Trainers Programme on Restructuring and Strengthening of Agricultural/Rural Financial Institutions", organized by the College of Agricultural Banking, Pune (CAB) in collaboration with Centre for International Cooperation in Agricultural Banking, Pune (CICTAB), during July 14-18, 2014.

iii) A delegation of Royal Monetary Authority of Bhutan visited Central Bank of Sri Lanka under Staff Exchange Programme during September 15-19, 2014.

iv) Four officials from State Bank of Pakistan visited Central Bank of Sri Lanka under Staff Exchange Programme during September 22-24, 2014.

v) Four officials from Royal Monetary Authority of Bhutan visited Nepal Rastra Bank under Staff Exchange Programme during November 3-7, 2014.

vi) Two officials from Royal Monetary Authority of Bhutan visited Nepal Rastra Bank under Staff Exchange Programme during November 17-19, 2014.

vii) A team of six officials from Bangladesh Bank visited RBI for exposure training on the areas pertaining to Banking Supervision, Banking Regulation and Financial Stability during November 17-19, 2014

viii) RBI had conducted a 4 day training programme for the Internal Audit staff of Nepal Rastra Bank in June 4-7, 2014

ix) The Seminar on Developing a SAARCFINANCE Regional Statistical Database was organised at College of Agricultural Banking, Pune during November 17-18, 2014. The feasibility of collecting and maintaining information on important macroeconomic variables, including issues such as frequency, definitions of variables, *etc*. was discussed in the Seminar. Accordingly, RBI circulated the templates of tables proposed to be included in the database. A presentation was made on the Handbook of Statistics on Indian Economy being maintained in an RDBMS platform by the RBI. The participants agreed that to build and maintain the SAARCFINANCE regional statistical database was feasible. Accordingly, RBI requested all members to send their comments on the availability of information on the variables to be included in the database. Subsequently, the member central banks have given their comments to RBI.

x) Nepal Rastra Bank hosted a seminar on 'Payment & Settlement Systems in SAARC Region' on September 5, 2014 alongside the 20th SAARCFINANCE Coordinator's meeting. The guest Speaker, Smt. Charulata S. Kar of RBI deleivered the lecture in the Seminar.

xi) A Training Programme for the members of the Primary Dealers association of Bangladesh was organized by RBI in collaboration with M/s. Thomson Reuters on November 12, 2014.

xii) One delegate from Bangladesh and 17 delegates from Nepal attended the 'Exposure programme in SHG JLG Farmers club, *etc.*, organized by RBI at CAB, in collaboration with CICTAB, during December 15-19, 2014.

28th SAARCFINANCE Group Meeting

i) The 28th SAARCFINANCE Group Meeting was organized by the Central Bank of Sri Lanka in Colombo on July 24, 2014. All member countries participated in the Meeting. The Meeting was chaired by the SAARCFINANCE Chairperson Dr. Yuba Raj Khatiwada, Governor, Nepal Rastra Bank.

ii) Discussions revolved, among others, around the following: a) amendment in SAARCFINANCE Terms of Reference relating to Rotation of SAARCFINANCE Chair on annual basis, b) setting-up of permanent SAARCFINANCE Secretariat and allocation of tasks, c) setting-up a SAARCFINANCE Institute, d) development of regional statistical database, and e) hosting of a sidelines seminar along the Coordinators' Meeting.

SAARCFINANCE Governors' Symposium 2014

i) The Governors' Symposium was organized by Central Bank of Sri Lanka in Colombo on July 25, 2014. All member countries participated in the Symposium. This year, theme of the Symposium was "Unwinding of Unconventional Monetary Policies and Its Impact on Emerging Market Economies". Mr. Ajith Nivard Cabraal, Governor, Central Bank of Sri Lanka chaired the Symposium.

ii) Dr. Raghuram Rajan delivered the keynote address. In his address, Dr. Rajan focused on two types of quantitative measures: quantitative easing and credit easing. He called for better international coordination among the world's central banks. He recommended some policy prescriptions to the emerging market economies for mitigating the impact of unwinding of unconventional monetary policies (UMP) including building credible monetary and fiscal frameworks, accumulating reserves opportunistically and limiting rise in foreign currency short term debt.

iii) Each SAARC country made a presentation, thereby highlighting the direct and indirect impact of unwinding of UMP on their respective economies. They emphasized the SAARC countries to keep their macroeconomic indicators sound in order to withstand the adverse impact of unwinding of UMP. Likewise, the loss of confidence in the market due to unwinding of such policies requires a rescuer, such as the central bank or the government. It was noted that more cooperation among the SAARC central banks needed to promote regional financial market which could be instrumental in mitigating the spillover effects.

Meeting of Senior Economists of SAARC Countries

i) Organized by the Central Bank of Sri Lanka, the 2nd Meeting of Senior Economists of SAARC Countries was held in Colombo on the sidelines of SAARCFINANCE Governors' Symposium and 28th Group Meeting on July 25, 2014. Senior economists of the member countries participated in the Meeting while delegations from Bank Negara Malaysia, Central Bank of Republic of China (Taiwan), Bank of Thailand, Banka Sentral ng Philippino, Central Bank of Brunai and National Bank of Cambodia participated as observers.

ii) The main theme of the Meeting was "Reaping the Mutual Benefits through Inter-regional Investment of Reserves". The keynote speech was delivered by Dr. Ranee Jayamaha, former Deputy Governor, Central Bank of Sri Lanka, Advisor to the President on Banking, and Chairperson of Hatton National Bank Plc. Dr. Jayamaha emphasized that international reserves play a major role in supporting the value of the currency. She also highlighted the need for expanding trade and investment within SAARC as well as in wider Asia and other regions. Despite the improvements led by business and market oriented reforms and the developments in the debt/capital markets and infrastructure, she stressed the need for a common approach to establish market oriented exchange rates in line with wider Asia to facilitate regional integration.

iii) The other speakers focused on the areas, such as, reserve management and opportunities for regional co-operation, reaping mutual benefits through intra-regional investments of reserves, reserve management in regional markets' investments, and two-way investments.

iv) The country delegates also shared their respective country experiences on the subject area.

20th SAARCFINANCE Coordinators' Meeting

i) The 20th SAARCFINANCE Coordinators' Meeting was organized by Nepal Rastra Bank on September 4, 2014 at Dhulikhel, Kavre, Nepal. The Meeting was attended by

Coordinators/Alternate Coordinators of member countries of SAARC, except Maldives. It was chaired by Mr. Maha Prasad Adhikari, Deputy Governor of Nepal Rastra Bank.

ii) During the meeting, the issues discussed included the following: a) topics for regional studies/projects, b) ensuring the active participation of Ministries of Finance of member countries, c) allocation of tasks among member central banks, d) uploading and distribution of the SAARCFINANCE *e-Newsletter* and addressing some ambiguities, e) ways to make SAARCFINANCE swap lines more effective, f) venue for the SAARCFINANCE Governors' Symposium and 30th SAARCFINANCE Group Meeting, and f) new proposals from the member countries to hold seminars and workshops.

29th SAARCFINANCE Group Meeting

i) The 29th SAARCFINANCE Group Meeting was organized by Nepal Rastra Bank on the sideline of IMF-World Bank Annual Meeting in Washington, D.C. on October 9, 2014. Chairman of SAARCFINANCE and Governor of Nepal Rastra Bank Dr. Yuba Raj Khatiwada chaired this Group Meeting.

ii) In his opening remarks, Governor Dr. Khatiwada stated that as financial integration brings new complex challenges to central bankers in carrying out our roles in preserving monetary and financial stability, cooperative solutions can lead to better outcomes. He also highlighted a few initiatives that were undertaken by the SAARCFINANCE during the past years including the SWAP arrangement, the Scholarship Scheme and seminars along the sideline of the Coordinators' Meetings.

iii) The Meeting covered a wide range of issues including discussion on a) topics for undertaking joint studies, b) allocation of tasks of SAARCFINANCE among member central banks, c) inviting the SAARCFINANCE Focal Points in Ministries of Finance as observers at the Coordinators' Meetings, d) concept paper pertaining to 'Regional Statistical Database' and e) new proposals from the member countries to host seminars or other activities under the aegis of SAARCFINANCE.

SAARCFINANCE Scholarship Scheme

i) Under the SAARCFINANCE Scholarship Scheme[4], which was announced on 18 June 2013 at 26th SAARCFINANCE Group Meeting held in Islamabad, the Reserve Bank of India has awarded two scholarships for the academic year 2014-15, 1 from Bangladesh (for PhD.) and 1 from Maldives (for M.Sc.). The candidate from Bangladesh Bank has successfully enrolled into the doctoral programme of Jawaharlal Nehru University. However, the candidate from Maldives withdrew her participation due to personal reasons.

ii) For the academic year 2015-16, RBI awarded four scholarships (two for PhD and two for M.A). Of these, the PhD scholarships were awarded to candidates from Afghanistan and Bangladesh, while the M.A. Scholarships were awarded to candidates from Afghanistan and Bhutan. The selected scholars are presently in the process of securing admission in Indian universities.

Handing over of SAARCFINANCE Chair to Pakistan

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

Amendments in the ToR of SAARCFINANCE

The Thirty-sixth Session of SAARC Council of Ministers meeting held on 25th November 2014 at Kathmandu approved the amendment in Clause A(4) in the Terms of Reference ,which may be read as

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

"*SAARC Secretariat would assist and coordinate activities of SAARCFINANCE. The Chair of SAARCFINANCE would rotate annually in an alphabetical order during the Group Meeting to be held on the sidelines of the IMF and World Bank Annual Meetings. The Cell in the Central Bank of the country holding the Chair of SAARCFINANCE would function as the SAARCFINANCE Secretariat*".

Developments in SAARC Payments Council (SPC)

- The Nepal Rastra Bank hosted the meeting of SPC at Kathmandu on May 9 2014. A half day training programme was organized at the sidelines of the meeting. The following major action points emerged from the SPC meeting:
    - ✓ SAARC Countries may bring experts to train young professionals/central bankers of the member countries in the Seminars/ Trainings conducted on the sidelines of the SPC meetings.
    - ✓ Share with all members a list of Risk Mitigation / Management measures taken to enhance the efficiency of payment systems in their countries.
    - ✓ To speed up work on implementation and development of RTGS in all SAARC countries and Minimum Security Benchmark Standards for the region.
    - ✓ Develop and share Responsibility Grid of the Roamap of SAARC countries.
- It was decided that the next meeting of the SPC would be held in Pakistan.

Future Activities

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

a) Bangladesh Bank to host SAARCFINANCE Governors' Symposium in 2015 and 30th SAARCFINANCE Group Meeting in mid 2015.

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

c) In accordance with decision of 29th SAARCFINANCE Group Meeting, Reserve Bank of India (RBI) and State Bank of Pakistan (SBP) would jointly lead the study on "*Managing Capital and Remittance Flows in SAARC Region for Safeguarding Financial Stability*", while researchers from other member central banks would take part as team members. Likewise, Bangladesh Bank (BB) and Maldives Monetary Authority (MMA) would jointly lead the study on "*Promoting Financial Inclusion in the SAARC Region*" and the researchers from other central banks would take part as team members. The modalities for these collaborative research studies are being developed and it would be approved in the 30th Group Meeting to be held at Dhaka, Bangladesh, on June 12, 2015.

d) Reserve Bank of India has received feedback on SAARCFINANCE regional statistical database from all member central banks. RBI is presently analyzing the feedback regarding data availability given by member central banks on the SAARCFINANCE database. Based on the feedback, the Reserve Bank will start working on operationalizing the SAARCFINANCE statistical database.

e) Reserve Bank of India is in the process of drafting the Road Map for SAARCFINANCE, based on the objectives of the forum, and achievements thereon.