

South Asia: Shifting Outlook Calls For Steadfast Reforms

Amid a subdued global growth environment, growth in the region has held up relatively well and remains above other comparator regions. Growth is projected to rise from 6.8 percent in 2019 to 7.0 percent in 2020 in the aggregate for the region, aided by firming up of economic activities from recent moderation in India. Inflation dynamics has been supported by favorable food inflation. External accounts have benefitted from lower oil prices, with current account balances stabilizing or moderating from their recent lows in some of the economies, and macro-stabilization policies in Pakistan. But risks are tilted to the downside from geopolitical tensions, oil price volatility, a retreat from multilateralism, and country-specific domestic risks. Looking ahead and navigating a choppy global environment, to create more and better jobs, South Asia needs to further strengthen its reform measures and support private sector-led investment, underpinned by a more efficient allocation of resources and macro-financial stability. Across the region, greater revenue mobilization can support fiscal consolidation efforts, while making fiscal space for critical social and investment spending to support inclusive growth. Addressing financial system weaknesses is key to ensure efficient credit provision and safeguard financial stability.

Global and Regional Economy

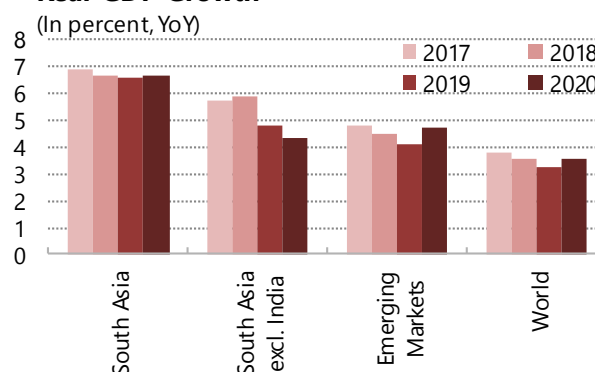
Global growth remains sluggish, complicated by the US-China trade and technology tensions. Against this uncertain backdrop, in the July 2019 *World Economic Outlook (WEO) Update*, global growth is projected at 3.2 percent, rising up to 3.5 percent in 2020 (0.1 percentage points lower than in the April WEO projections for both years). Weaker-than-expected global activity reflects subdued investment and demand for consumer durables. Global technology supply chains are threatened by the heightened trade tensions between the United States and China.

Among the advanced economies, growth in the US is expected to be 2.6 percent in 2019, moderating to 1.9 percent in 2020 as the fiscal stimulus fades. Euro area growth remains tepid, with some recovery expected over the remainder of the year and into 2020, with support from external demand and the dissipation of some temporary factors. Japan's economy is projected to grow by 0.9 percent in 2019 but 0.4 percent on 2020, aided by fiscal measures to partly mitigate the growth impact from the planned increase in the consumption tax rate. The outlook for the emerging market and developing economies (EMDEs) has weakened, with downwards revisions in all major

regions. Downside risks to the baseline outlook have increased substantially from escalating trade and technology tensions, potential financial vulnerabilities from accumulated risks from low interest rates for long, and geopolitical tensions.

Despite the downward revisions and risks noted above, Emerging and Developing Asia remains the strongest growth performer in the world, and is expected to grow at 6.2 percent in 2019-20 (0.1 ppts lower than in the April WEO due to the impact of tariffs on trade and investment). In China, the negative effects of trade tensions and higher tariff and weakening external demand is expected to be

Real GDP Growth

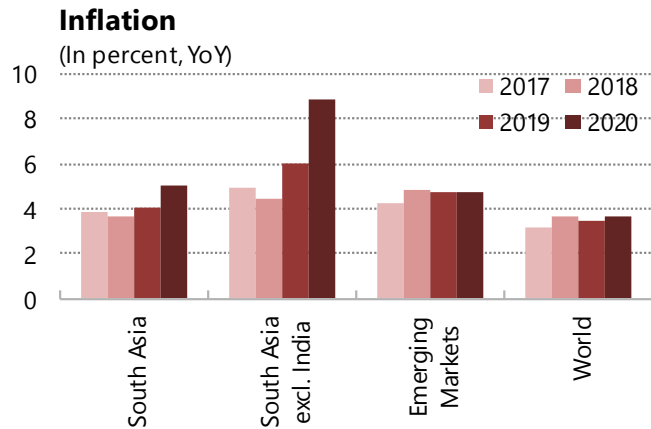


Source: IMF, *World Economic Outlook*; and IMF staff

partly moderated by some policy stimulus. Chinese growth has been revised down by 0.1 percentage points to 6.2 percent in 2019 and 6.0 percent in

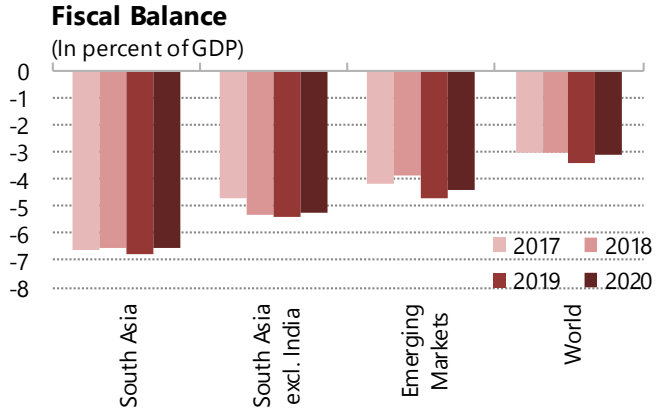


2020, but the medium-term risks are higher as heightened trade tensions interact with a structural slowdown and requisite domestic regulatory strengthening. In India, the economy is projected to grow at 7.0 percent in 2019, picking up to 7.2 percent in 2020. This reflects a downward revision of 0.3 percentage points for both years, driven by a weaker-than-expected outlook for domestic demand.



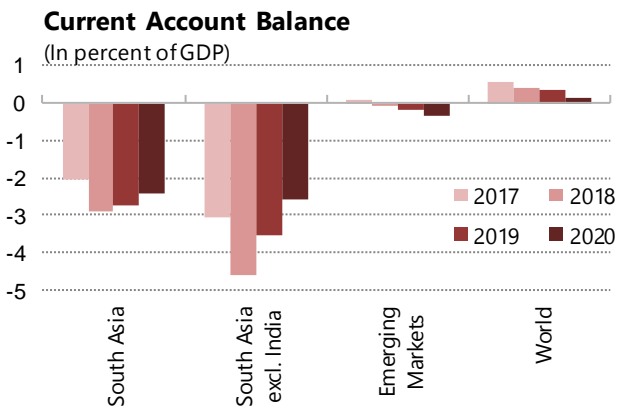
Source: IMF, *World Economic Outlook*; and IMF staff

Downside risks to the outlook have increased since the April 2019 WEO. The sequence of US tariff actions, retaliation by US trading partners, and Brexit-related uncertainty have created waves of shocks to investor and financial market sentiment since 2018. Given the recent escalation in trade tension, uncertainty has increased with respect to the difficulty of negotiations and the likelihood of a durable resolution in the near term. As highlighted in the July 2019 WEO Update, the principal risk factor to the global economy is that adverse developments – including further US-China tariffs, US auto tariffs, or a no-deal Brexit – weaken confidence and investment, disrupt global supply chains, and severely slow global growth below the baseline. Given the deep linkages of the Chinese economy with the East and South-East Asian economies, the potential for spillover from adverse shock remains significant.



Source: IMF, *World Economic Outlook*; and IMF staff estimates.

The outlook for South Asia remains broadly positive, despite domestic headwinds in some of the economies. Although the first-round adverse impact from the global trade tension is partly moderated by the region’s limited integration in global value chains, risks from the recent escalation of US-China trade tension and regional geopolitical tension have increased. Aggregate growth for the region is



Source: IMF, *World Economic Outlook*; and IMF staff estimates.

projected to rise from 6.8 percent in 2019 to 7.0 percent in 2020, reflecting primarily the growth trajectory of India, the largest economy in South Asia. Among the other large economies, growth momentum remains strong in Bangladesh, with growth at around 8.0 percent in FY2019; Pakistan’s growth is expected to slow, as authorities focus on reducing accumulated macroeconomic imbalances. As in the past, given the region’s limited trade integration, growth remains primarily driven by

domestic demand. Headline inflation in most of the economies in the region is expected to remain under control, owing to favorable food inflation. But, in Pakistan, inflation is projected to increase to 13 percent in FY2019/20 due to currency depreciation and energy tariff increases, before moderating to around 5–6 percent in the medium term.

The region remains exposed to macroeconomic vulnerabilities from both domestic and external factors. Despite the robust growth performance, public debt in South Asia remains elevated and is higher than in comparator regions. Current account deficits have moderated in Bangladesh and India but continue to pose macroeconomic challenges for Nepal and Pakistan. Annual credit growth has picked up in some of the economies, including India and Bhutan, and has led to larger current account deficits in Nepal. Although capitalization remains broadly adequate in the region, financial intermediation efficiency is constrained by elevated levels of NPLs, raising underlying financial sector vulnerabilities.

South Asia has young demographics. To create more and better jobs, South Asia needs to invest in people and continue to support private sector-led investment and a more efficient allocation of resources, aided by sound macroeconomic management and financial stability. Revenue mobilization that can finance development expenditure and support fiscal consolidation remains a priority for the region. A modern and efficient financial system is critical to raising investment and its efficiency and calls for addressing financial sector vulnerabilities, including high levels of non-performing loans. Steadfast structural reforms and improvement in business climate can help increase investment and potential growth, by fostering a globally competitive private sector.

India

GDP growth slowed to a five-year low of 6.8 percent in FY2018/19. A loss of momentum ahead of the April/May national elections, particularly in investment, was exacerbated by weaknesses in the non-bank financial sector. Headline inflation averaged 3.4 percent in FY19, an 18-year low. Successive normal monsoon rainfall and agriculture sector reforms pushed down food prices. After falling to 2.0 percent in January (y/y), headline inflation rose to 3.2 percent in June but is still below the mid-point of the target band for headline inflation of the Reserve Bank of India (RBI, 4 percent CPI inflation \pm 2 percent). Core inflation (4.1 percent) is decelerating on slowing growth, although inflation expectations over the forecast horizon remain elevated. During February–August 2019, the Monetary Policy Committee (MPC) reduced policy rates from 6.50 percent to 5.40 percent and, since the June meeting, maintained the stance from neutral to accommodative to support activity amid moderating demand and the uncertain global backdrop. Recent high frequency indicators point to continued softness in consumption and investment demand.

External vulnerabilities rose during 2018 on a rising oil import bill but remained manageable. With lower oil prices and weaker import demand, the current account deficit is expected to moderate in 2019. The rupee depreciated by about 3.4 and 5.9 percent on average during FY2018/19 in real and nominal effective terms, also reflecting portfolio outflows in mid-2018. The U.S. dollar value of non-oil merchandise exports expanded by 6.5 percent, broadly maintaining India's relatively modest global export market share. India's external position is assessed to be broadly consistent with fundamentals. Gross reserves, at about 150 percent and 190 percent of the standard- and capital flow measures-adjusted IMF metrics, respectively, appear more than adequate.

Fiscal consolidation progressed only marginally in FY2018/19, with the central government deficit at 3.4 percent of GDP (authorities' definition), down from 3.5 percent of GDP a year ago, but remaining above the 3 percent Fiscal Responsibility and Budget Management (FRBM) Act's target. But the assessment of overall fiscal policy is affected by the central government's reliance on off-budget spending and cash accounting. The recently placed FY2019/20 budget envisages a reduction in the headline fiscal deficit of 0.1 percent of GDP to 3.3 percent of GDP (authorities' definition), relying on a substantial increase in personal income, excise, and customs tax revenues, an increased dividend payment from the Reserve Bank of India, and higher proceeds from disinvestment sales. Budgeted expenditures as a share of GDP are similar to those in the February budget (subsequently curtailed to achieve the FY 2018/19 deficit target), though revenue expenditures are forecasted to increase, due in large part to the farm-income support scheme announced in the February budget (about 1/3 percent of GDP in FY 2019/20). The budget also highlights the importance of achieving investment-oriented growth. Efforts to attract foreign capital have been strengthened, including by further relaxation of FDI and portfolio flow restrictions, and the intention to borrow abroad through the issuance of foreign currency-denominated sovereign bonds.

Liquidity pressures in non-bank financial companies (NBFCs) emerged in 2018Q4 as a result of a series of defaults by an NBFC group, IL&FS, starting in June 2018. The provision of credit by the sector was affected by investors reassessing the risks of funding the NBFCs. The sector, with a balance sheet of about one sixth of the banking system and an aggregate capital adequacy ratio (CAR) and non-performing assets (NPAs) of 19.3 percent and 6.6 percent, respectively, had previously been filling the gap of weak bank credit growth. To ease the funding for fundamentally sound NBFCs, the government will provide six-month partial credit guarantees to

public sector banks (PSBs) to purchase high-rated pool of assets from them.

The macroeconomic outlook for FY2019/20 is broadly favorable but subject to downside risks. Growth is projected at 7.0 percent. With elections completed, improving PSB lending capacity, and government programs to support rural consumption being rolled out, investment and private consumption are expected to gradually improve. Headline inflation is projected to rise to 3.6 percent on dissipating base effects of low food prices. The CAD is projected to moderate over the medium term. The balance of payments would return to surplus, on returning capital inflows thanks to more accommodative global financial conditions.

Domestic risks include tax revenue shortfalls and delays in strengthening the balance sheets of PSBs and corporates, and other structural reforms. External risks pertain to large swings in oil prices, rising protectionism and retreat from multilateralism, and further intensification of cross-border security risks.

Looking ahead, the recent electoral mandate offers new opportunities for difficult and comprehensive reforms to boost inclusive growth. Policy measures are expected to support the rural economy, boost infrastructure spending, streamline the Goods and Services Tax (GST), reform direct taxes, and pursue a broadly business-friendly policy agenda. A medium-term fiscal consolidation path anchored by the FRBM would address the crowding out and financial repression caused by the government's high borrowing requirement. The ongoing cleanup of bank balance sheets would help increase credit flows to the private sector and should be complemented by a continued strengthening of PSB governance and regulation and oversight of NBFCs. Land, labor and product market reforms accompanied by higher infrastructure investment

are important for supporting investment, productivity, and job-rich growth.

Pakistan

Pakistan's economy is at a critical juncture. The legacy of misaligned economic policies, including large fiscal deficits, loose monetary policy, and defense of an overvalued exchange rate, fueled consumption and short-term growth in recent years, but steadily eroded macroeconomic buffers, increased external and public debt, and depleted international reserves. Structural weaknesses remained largely unaddressed, including a chronically weak tax administration, a difficult business environment, inefficient and loss-making SOEs, and low labor productivity amid a large informal economy. Without urgent policy action, economic and financial stability could be at risk, and growth prospects will be insufficient to meet the needs of a rapidly-growing population.

On July 3, 2019, the IMF Executive Board approved a 39-month extended arrangement under the Extended Fund Facility (EFF) for Pakistan for an amount of SDR 4,268 million (about US\$6 billion) to support the authorities' economic reform program. The program aims to tackle long-standing policy and structural weaknesses, restore macroeconomic stability, catalyze significant international financial support, and promote strong and sustainable growth. Key elements include: (i) fiscal consolidation of about 4.5 percent of GDP over the next four years based on permanent and quality revenue measures, including 1.7 percent of GDP of tax measures in FY 2020; (ii) a move to a flexible, market-determined exchange rate, accompanied by monetary policy tightening, to restore competitiveness, support the adjustment, and help re-build reserve buffers; (iii) energy prices adjustment to ensure cost recovery and avoid arrears; (iv) strengthened social spending to protect the most vulnerable; and (v) structural and institutional reforms to support sustainable growth

and strengthen governance, such as tax policy and administration, public financial management, SOE reforms, central bank independence, AML/CFT efforts, and measures to create a favorable business environment and facilitate trade.

Recent policy actions signal strong commitment to reforms. To demonstrate strong ownership and commitment, the authorities already moved to a flexible market-determined exchange rate and proactively increased the policy rate by 150 bps. They have also enacted a tight FY 2020 budget consistent with program objectives and raised power and gas tariffs to help cost recovery and arrest growing circular debt.

The Fund program is expected to coalesce broader financing from multilateral and bilateral creditors in excess of \$38 billion. It is supported by a commitment from key external bilateral partners to maintain exposure, on terms consistent with Pakistan's debt sustainability.

Sustained reform implementation is expected to steadily reduce imbalances and deliver higher and more balanced growth. In the near-term, economic activity is expected to decelerate to below its potential, with real GDP growth slowing to 2.4 percent in FY 2019/20. Higher interest rates together with fiscal consolidation and administered price adjustments will constrain credit growth, incomes, and domestic demand, while gradual increases in confidence and in public development spending will cushion the impact on the economy. Over the medium term, real GDP growth is projected to recover to 5 percent assuming steady implementation of reforms, supported by higher private sector investment and competitiveness gains from real depreciation.

Following an initial increase in inflation to 13 percent on average in FY 2019/20 driven by currency depreciation and energy tariff increases, appropriately tight monetary policy—aimed at



keeping a positive real policy rate—is projected to bring inflation down to around 5–6 percent in the medium term.

Owing to the ambitious FY 2020 budget, the primary fiscal deficit is projected to improve to 0.6 percent of GDP from 1.8 percent in FY 2018/19. The overall fiscal deficit is expected to decline to below 3 percent in the medium term as the authorities' broad-based tax policy and administration reforms take hold. These measures will place general government debt on a declining path, reaching 67 percent of GDP by FY 2024, after peaking at 80.5 percent of GDP in FY 2020.

The current account deficit is expected to shrink to 2.6 percent of GDP in FY 2020 and further to less than 2 percent of GDP by FY 2024, reflecting import compression underpinned by tight fiscal and monetary policies and gradual export recovery boosted by real depreciation and new investment.

Bangladesh

Output growth accelerated to 7.9 percent in FY18 from 7.3 percent in FY17, supported by strong private consumption. In the past few years, inflation has been relatively stable within the 5-6 percent range. In recent months, food inflation has been declining, but this was offset by a gradual increase in non-food inflation.

The FY18 fiscal deficit was slightly below the budget target (5.0 percent of GDP) at 4.7 percent of GDP, close to the level in previous years. Public debt remains relatively low, at around 34 percent of GDP. The FY18 current account (CA) deficit widened to 3.6 percent of GDP due to higher imports related to infrastructure projects and temporary higher food imports. The increase in capital inflows did not fully match the increase in the CA deficit and the overall balance of payments recorded a small deficit, with foreign exchange reserves falling by US\$ 0.5 billion to US\$33.0

billion (close to six months of imports). In FY19, broad money growth has been somewhat below the Bangladesh Bank's (BB's) 12 percent target. Growth of private sector credit has been decelerating since 2017, reflecting the BB's January 2018 decision to reduce the advances-to-deposit ratio to 83.5 percent, and the adverse impact of the large issuance of the National Savings Certificates (NSC) on banks' deposits. With government bank borrowing picking up as well in the recent months, liquidity in the banking sector has been tightening and the lending and deposit rates have been gradually increasing.

Although the economic impact so far is limited, the Rohingya refugee surge could have implications for economic policies. Thus far, there has been little progress with repatriating the more than 700,000 Rohingya refugees. While a large share of the immediate relief needs has been met with support from the international community, this support could decline over time. Thus, if the situation persists, assisting the refugees and integrating them into the local community could have a sizeable impact on the budget.

The economic outlook remains broadly positive. Growth is expected to remain strong at around 8.0 percent in FY19, led by private consumption and investment. Inflation is expected to remain below 6.0 percent, close to the BB's 5½ percent average inflation target. With strong growth in remittances and exports and slower import growth, the FY19 CA deficit is projected to narrow to 2.0 percent of GDP. The import of LNG began in 2018 and is expected to gradually increase. Reflecting tight expenditure control, the FY19 fiscal deficit is expected to remain within 5 percent of GDP, in line with the budget target, and the public debt-to-GDP ratio to remain broadly stable.

Despite the positive near-term outlook, maintaining the past growth performance will become more

challenging in the future and will require further increasing investment and upgrading the policy-making practices and institutions.

Domestic revenue collection needs to be boosted to provide fiscal space for growth-enhancing public investment and social spending. The launch of the new VAT in July 2019 is welcome but further effort will be needed to simplify the VAT rate structure, broaden the tax base by reducing tax exemptions, and strengthen tax administration. Non-market budget borrowing continues to increase, and the recent measures to control the issuance of the NSCs should support the development of a government bond market and the implementation of a sound debt management strategy. Despite robust economic growth, non-performing loans remain high, particularly in the state-owned commercial banks. Financial sector regulation and supervision will need to be further strengthened to improve the health of the banking sector, and the role of the state-owned banks needs to be reassessed. To provide alternative sources of long-term investment financing, improving the business environment and developing a well-functioning domestic capital market is a medium-term priority.

Sri Lanka

Real GDP growth slowed to 3.2 percent in 2018, driven by weak growth of manufacturing, mining, quarrying and a contraction in construction. The slowdown was exacerbated in 2018 Q4 by a short-lived political crisis. The crisis was resolved in December 2018 with the reinstatement of Mr Wickremesinghe as Prime Minister.

Real GDP growth recovered to 3.8 percent (y/y) in 2019 Q1, as manufacturing, mining, quarrying and construction rebounded. However, on April 21 2019, multiple terrorist attacks hit churches and high-end hotels in Colombo and across the country, killing over 250 people. While market conditions stabilized quickly following the attacks, high

frequency indicators point to a slowdown in economic activity, notably in the tourism sector. The authorities have acted decisively to tighten security measures and provide targeted relief to the tourism sector and the victims of the attacks. Economic activity is expected to recover gradually as the tourism sector stabilizes. At the time of the 5th Review of the EFF Program approved by the IMF Executive Board in May, real GDP growth was projected to reach 3.6 percent in 2019 and 4 percent in 2020. These projections will be revised as official data on the impact of the attacks become available.

Headline inflation fell to 2.8 percent by end-2018, below the Central Bank of Sri Lanka's (CBSL) inner consultation band, reflecting lower food and transport prices, with core inflation at 3.1 percent (y/y). Driven by higher taxes on liquor and tobacco, and higher costs of housing and education in early 2019, headline and core inflation are back within the target band, at 3.8 percent and 5.8 percent respectively in June. With inflation expectations well-anchored, the CBSL lowered its policy rates in May by 50 basis points, the first cut since April 2018, in a move designed to support economic activity following the terrorist attacks. The CBSL has also taken important steps in the roadmap to transition to a flexible inflation targeting regime, accompanied by greater exchange rate flexibility. Cabinet approved draft amendments to the central bank law (the Monetary Law Act) in March 2019, that will strengthen the central bank's mandate, autonomy and accountability. Financial regulation is also being strengthened, including with the phased introduction of Basel III Minimum Capital Requirements. The authorities are working towards a new Banking Act with World Bank support, which will strengthen bank regulation and supervision, as well as the resolution regime.

On the external side, the current account deficit widened to 3.2 percent of GDP in 2018, reflecting lower agricultural exports, higher oil prices, and a

temporary surge in vehicle imports. Global market volatility triggered balance of payments pressures in the second half of 2018, that were exacerbated by the political crisis at end-year. Treasury bond yields increased by around 150 basis points in 2018H2, with the EMBI spread also widening. The CBSL responded to the capital outflows with a mix of intervention and exchange rate flexibility, selling US\$1.1 billion on a net basis in 2018, but also allowing a 13 percent depreciation of the real effective exchange rate. Reserve build up resumed as market conditions stabilized in early 2019, with only modest intervention immediately following the April terrorist attacks. Sovereign bond issuances of US\$2.4 billion and US\$2 billion took place in March and June, respectively, at 5 and 10-year maturities. As of end-July, Gross International Reserves (GIR) stood at approximately US\$ 8.3 billion, covering approximately 3½ months of imports, while the rupee appreciated by about 3½ percent against the US dollar.

The authorities have been advancing fiscal consolidation since 2016 under a 3-year IMF-supported program. The arrangement was extended by one year, until June 2020, at the time of the 5th Review in May 2019. The fiscal deficit was reduced to 5.3 percent of GDP in 2018 (from 7 percent of GDP in 2015) and the primary surplus reached 0.6 percent of GDP, thanks to prudent expenditure management and higher revenues, supported by the introduction of the new Inland Revenue Act in April 2018. The political crisis in late 2018 delayed the approval of the 2019 budget till April. Under the 2019 budget, the government aims at increasing the primary surplus to 1.5 percent of GDP in 2019, through further revenue-based consolidation. This is also expected to create fiscal space for increased spending on social protection and a contingency for natural disaster relief. However, weaker than expected economic performance following the terrorist attacks in April may have a fiscal impact, particularly on revenue from the tourism sector.

Over the medium-term, the government is committed to reducing the overall deficit to 2 percent of GDP by 2024, bringing public debt below 70 percent of GDP, supported by a revamped framework of fiscal rules. The authorities are also strengthening tax administration and public financial management, as well as enhancing oversight and transparency of major state-owned enterprises. A monthly adjustment formula for retail fuel prices was implemented in May 2018.

Advancing structural reforms through trade liberalization, supporting a business-friendly regulatory environment, addressing climate change, implementing gender budgeting, and adopting better-targeted social protection programs will be instrumental to promoting inclusive growth.

Nepal

Economic activity remains robust. Growth reached 7.1 percent in FY2018/19 (mid-July 2018 to mid-July 2019), supported by the ongoing reconstruction from the 2015 earthquake, a rebound in agricultural production, and strong tourism-related activity. Headline inflation rose to 5.3 percent (y/y) in May 2019, due to higher food prices and strong domestic demand. Economic growth is projected to moderate to 6.3 percent in FY2019/20 as strong activity in recent years begins to run up against the economy's productive capacity. Meanwhile inflation is expected to rise further.

A sharp increase in imports over the past two years has led to a marked deterioration in the external current account. In the first ten months of FY2018/19, the current account deficit amounted to about 8 percent of GDP, as imports surpassed 40 percent of GDP. The rise in imports more than offset the positive effect of the resilience of remittances—a key funding source for Nepal's financial sector and for imports of consumption goods. International reserves fell to US\$8.4 billion

in May 2019, though remain adequate at 6 months of prospective imports.

Prolonged rapid credit growth has been fueled by high remittances inflows, along with weak financial sector oversight. Private sector credit growth averaged 22 percent (y/y) in the past two years, even as the Nepal Rastra Bank (NRB) maintains ceilings on banks' loan-to-deposit ratios and the loan-to-value ratios on car loans. The ongoing sharp credit expansion raises concerns about the buildup of financial stability risks given weak underwriting standards, poor risk management practices, and weak financial sector oversight. Banks should be encouraged to build additional capital and provisioning buffers against potential losses. Financial sector oversight and regulations should be further strengthened. Macroprudential policies should be tightened to slow credit growth and limit the buildup of financial sector risks.

Monetary policy has been too accommodative given the cyclical position of the economy. It should be tightened to support the exchange rate peg to the Indian rupee, which has served Nepal well. Despite the recent pickup in interbank rates, the NRB should tighten monetary policy given upward inflationary pressures and the build-up of imbalances.

The transition to fiscal federalism, alongside ongoing reconstruction spending, has increased government expenditure. The fiscal deficit widened markedly in 2017/18 to 6.7 percent of GDP, bringing public debt to 30 percent of GDP. Despite the announcement of an 8 percent of GDP deficit in the FY2018/19 budget, the deficit outturn is expected to be well below that figure due to weak implementation capacity for capital expenditure and lower-than-expected transfers to subnational governments (due to their weak execution capacity). Fiscal policy should focus on prudent implementation of fiscal federalism to keep public debt and the external account on a sustainable path.

This will require rationalization of the central government budget, as expenditure responsibilities are devolved. For sub-national governments, a medium-term plan which aligns spending needs with available funding is vital. More needs to be done to make spending more efficient and continue to build implementation capacity at all levels of government.

Nepal faces the challenge of maintaining the recent growth momentum while creating conditions for sustained high and inclusive growth. Structural reform plans to improve the business climate, strengthen governance and institutions, and enhance access to finance to the underserved population should be swiftly implemented. Measures to enhance the business climate include fostering competition, reducing the regulatory burden for investment, including in hydropower, and upgrading transportation infrastructure. These steps should help encourage investment, including foreign direct investment, needed to generate sustained higher economic growth and employment opportunities.

Bhutan

Growth in Bhutan slowed slightly in FY2018, to about 4.6 percent, as a result of slowing construction in the hydropower sector. The pace of economic activity is expected to pick up to around 6 percent in FY2020, supported by robust private consumption.

Headline inflation remains contained, at about 3.7 percent in FY2018, and only 3.4 percent as of March 2019. Food and non-food inflation have converged in recent months, with the latter rising from near-zero rates in mid-2018. Over the medium term, inflation is projected to remain in line with price developments in India, Bhutan's key trade partner and import source, and given the ngultrum's peg to the rupee.

Fiscal policy in FY2018 was mildly contractionary. The fiscal deficit narrowed to 1.9 percent of GDP

(from 3.4 in FY2017), as domestic revenues increased by about 2.3 percent of GDP, alongside a more modest increase in current and capital spending. Deficits are projected to remain broadly unchanged in FY2020—thanks in part to a temporary boost from hydro-related profit transfer—and will likely widen somewhat in the outer years of the projection period as this temporary boost fades.

The current account (CA) developments largely reflect investments in the hydropower sector financed through a combination of official loans and grants, mostly from the Government of India. The CA deficit averaged about 25 percent of GDP during FY2012-18 but has narrowed in recent years (18.4 percent in FY2018) due to lower hydropower-construction-related imports and increased exports of electricity. A further improvement is expected in FY2019, to about 13.4 percent of GDP.

International reserves stood at US\$1.08 billion (about 11 months of import cover) in March 2019. Bhutan's trade is predominantly with India (between 70–90 percent).

Downside risks to macroeconomic stability stem from high debt levels (public sector debt was 104 percent of GDP in FY2018) and possible financial sector vulnerabilities (due to quality of lending and weak profitability). Much of this debt (about 77 percent) is related to hydropower development and is financed by India under an intergovernmental development-and-power-purchase agreement, decreasing the risk that would commonly be associated with this level of external debt. Risks of overheating due to large step increases in hydropower activity in the medium term and subsequent potential rapid credit expansion remain sizable. External risks stem from renewed surges in global financial market volatility, which may adversely affect India, Bhutan's main trading and development partner.

Bhutan's near-term policy priorities include diversifying the economy and maintaining macroeconomic stability. With the country now undergoing its middle-income transition, continuous reforms and prudent policies are needed to contain economic and financial vulnerabilities, diversify the economy and enhance its overall competitiveness to sustain growth, and further improve gross national happiness. The main near-term policy challenge relates to the implementation of the good and services tax (GST). This important initiative has the potential to counteract weaknesses in the domestic revenue base and provide necessary resources to support Bhutan's development.

Islamic Republic of Afghanistan

Constrained by weak confidence owing to persistently difficult security conditions, political uncertainty—parliamentary elections in 2018 and presidential elections scheduled for September this year—and the 2018 regional drought, economic activity has been muted. In 2018, real GDP growth, estimated at 2.7 percent, was roughly unchanged from 2017, owing to strong industrial performance offsetting the drag from drought-affected agriculture. Inflation moderated from 3 percent y/y at end-2017 to 0.8 percent y/y at end-2018, reflecting weak demand due to lower rural incomes owing to the drought, lower priced imports compensating for domestic food shortages, and increased domestic vegetable production. In 2019, growth is expected to rise to 3 percent as agriculture recovers from the drought. Inflation may increase to 4.5 percent owing to domestic demand recovery and a passthrough from continued exchange rate depreciation.

Political uncertainty, security, and regional risks limit the recovery and weigh on the outlook alongside the on-going U.S.-Taliban peace talks. Should the latter succeed, the outlook would benefit from a long-awaited political settlement boosting

private sector confidence and pro-growth investment.

The overall fiscal balance including grants moved to a surplus of 1.5 percent of GDP in 2018, from a deficit of 0.6 percent of GDP in 2017. This was due to an increase in operating grants by 2.2 percent of GDP and domestic revenues expanding by 1.2 percent of GDP. The Treasury's discretionary cash balance was Af 37.6 billion, reflecting increased aid inflows and prudent management of budget resources. Fiscal performance so far in 2019 has benefitted from rising revenues and cash balances comfortably above the program floor of Af 10 billion, aiding the budget to remain on track to meet the 0.8 percent of GDP deficit target in line with the IMF program.

The current account deficit (excluding official transfers) remained large in 2018 despite import substitution of some consumption goods and strong export growth partly reflecting the establishment of subsidized "air corridors." Nonetheless, international reserves covered nearly 12 months of imports and should remain broadly unchanged as aid inflows continue. The exchange rate depreciated in 2018 reflecting growing uncertainty and regional factors. The depreciation—which peaked at 9.5 percent in November relative to end-2017—was partly due to dollar outflows to Iran in response to shortages there after re-imposition of sanctions by the U.S. On a nominal trade-weighted basis, the Afghani was broadly stable given appreciation against regional currencies.

The authorities continue to address fiscal and banking vulnerabilities by mobilizing revenue and strengthening financial sector supervision and enforcement. Substantial medium-term grant financing will be needed to finance development and security needs, facilitate the move toward fiscal sustainability, and enhance confidence in the Afghan economy.

Going forward, fiscal policy priorities are: domestic resource mobilization to prepare for a normalization of foreign aid inflows, mostly through a broadening of the tax base, and raising the efficiency of spending through reforms in public financial and investment management. Structural reform priorities include promoting private sector activity by boosting anti-corruption efforts, accelerating financial sector reforms, and strengthening the business climate.

Maldives

Real GDP growth has been strong and was estimated at 7.5 percent in 2018. Growth has been supported by increasing tourist arrivals and their longer length of stay, as well as construction and government infrastructure investment. Inflation in Male decelerated to 0.2 percent (y/y) in January 2019 driven by a decrease in administered prices for staples.

The fiscal deficit, including grants, is estimated to have widened to 4.3 percent of GDP in 2018, from 3 percent of GDP in 2017, mainly due to an increase in current spending (social welfare contributions, subsidies, health, and student loan schemes). The 2019 Budget envisages a deficit of 4.4 percent of GDP, below staff projections of 4.9 percent of GDP. Staff project higher current and capital expenditures. The public and publicly guaranteed debt-to-GDP ratio has exceeded 70 percent of GDP in 2018, reflecting increased external debt government guarantees. It is projected to reach 80 percent of GDP over the medium term before declining. Staff suggest fiscal consolidation to put debt on a downward path.

The current account deficit (CAD) in 2018 increased to around 24 percent of GDP from 22 percent of GDP in 2017 due to an overlap of ongoing large infrastructure projects and the start of new ones. The 2018 CAD was financed predominantly with external debt (10 percent of GDP) and FDI (8.5

percent of GDP). The authorities have issued two international bonds for about US\$350 million during 2017-18. Gross reserves increased from US\$586 million at the end of 2017 (2 months of imports) to US\$754 million (2.4 months of imports) at the end of 2018, with usable reserves at US\$290 million (0.9 months of imports). The average real effective exchange rate in 2018 was about 15 percent more appreciated than the average during 2011-12, after the devaluation of the currency. The external position continues to be substantially weaker than warranted by fundamentals, reflecting the strong currency, high CAD, and high external debt. Maldives' external risk of debt distress continues to be rated as "high".

In the medium term, GDP growth is projected to stabilize around 5.5 percent, supported by continued robust tourism growth. The CAD is projected to narrow as major infrastructure projects continue to unwind. Risks remain tilted to the downside with growing external financing needs, global economic risk impacting tourism arrivals, slower than projected CAD narrowing, and high and rising public and external debt.

Policy priorities should be to reduce fiscal and external deficits and public debt, build adequate

foreign exchange reserves, develop the financial sector, and enhance longer-term growth potential through structural reforms. Fiscal policy should focus on safeguarding fiscal sustainability and reducing external imbalances. Fiscal adjustment should be balanced, relying on a combination of revenue measures to boost total revenues and tight control of current spending. In addition to safeguarding fiscal sustainability and reducing external imbalances, fiscal adjustment would also create fiscal space to support productive investment and create buffers to adverse shocks, including those resulting from climate change. Fiscal consolidation should be accompanied by continued improvement of public financial management, including proper management of contingent liabilities, and better prioritization of public investment projects. Fiscal pressures stemming from SOE activities also need to be addressed. A tighter monetary policy setting is required to support the buildup of reserves and the stabilized exchange rate arrangement. A gradual move towards a composite basket peg from the current peg to the US dollar should increase exchange rate flexibility, resilience to external shocks, and external competitiveness. On the structural front, the main priorities include increasing the role of private sector in the economy as well as diversifying the economy.

India: High-Frequency Economic Activity Indicators

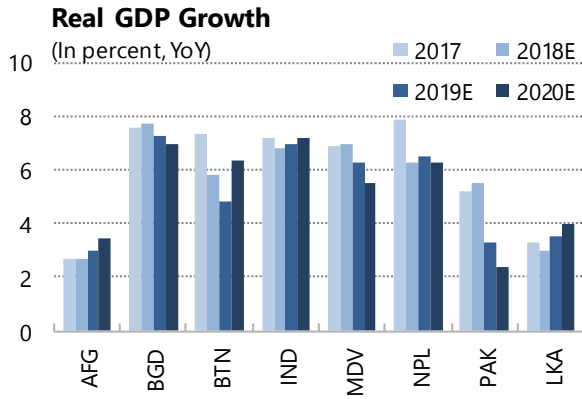
% y-o-y	2017												2018						2019											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Consumption																														
Domestic passenger vehicle sales	14.4	9.1	10.0	14.7	8.7	-10.9	15.1	13.8	11.4	-0.3	14.3	5.2	7.6	7.8	6.4	7.5	19.7	37.5	-2.7	-2.5	-5.6	1.6	-3.4	-0.4	-1.9	-1.1	-3.0	-17.1	-20.5	-17.5
Aviation: Passenger traffic	25.6	15.4	14.4	14.8	17.4	20.0	12.2	15.6	16.3	19.9	16.5	17.4	18.2	23.3	26.9	25.0	16.1	17.8	21.6	16.9	18.0	13.1	10.4	12.3	9.1	4.2	-1.5	-6.4	-0.3	4.6
Cellular subscribers	20.0	20.8	19.1	22.1	22.2	22.7	22.6	21.4	20.9	22.2	22.4	22.2	9.1	10.3	13.9	12.7	4.4	5.2	6.4	8.2	8.4	6.7	5.4	4.1						
Consumer credit	12.9	17.3	16.4	14.4	13.7	14.1	15.0	15.7	16.8	16.0	17.3	18.9	20.0	15.0	17.8	19.1	18.6	17.9	16.7	18.2	15.1	16.8	17.2	17.0	16.9	16.7	16.4	15.7	16.9	
Rural wages (male)	6.2	6.2	5.8	6.1	5.7	5.4	6.2	5.9	6.1	5.7	5.3	5.1	4.8	5.1	5.1	4.6	4.7	4.6	4.3	4.5	4.3	4.7	4.5	4.5	4.3	4.1	4.1	4.1	4.2	
Domestic two-wheelers sales	-7.4	0.0	0.3	7.3	11.9	4.0	13.8	14.7	9.1	-2.7	23.5	41.5	33.5	23.8	18.4	17.0	9.2	22.3	8.2	2.9	4.1	17.2	7.1	-2.2	-5.2	-4.2	-17.3	-16.4	-6.7	-11.7
Consumer confidence*			98.7		100.0	96.8			95.5		91.1	96.9		95.1		94.2	98.3			94.8		93.9	96.7			104.6		97.3		
Investment																														
Railway traffic: Net tonne km	-3.4	-0.7	3.4	3.1	4.5	2.5	4.0	6.1	4.9	6.8	6.6	12.3	8.7	6.0	7.5	11.8	7.4	5.5	5.7	8.7	6.5	8.8	5.6	2.7	5.5	4.4	7.2	1.9	0.7	0.0
Government Capex (YTD)	7.2	12.8	62.0	56.1	60.7	52.3	47.1	37.5	25.9	41.1	39.6	39.0	22.3	78.4	-75.4	-45.9	-43.2	-35.0	-31.6	-26.5	-25.1	-24.3	-24.9	-30.5	-35.0	2.0	252.2	67.7	54.8	
External sector																														
Visitor arrivals	14.2	9.7	9.5	21.3	18.0	21.3	6.2	10.3	18.4	16.9	13.6	14.3	8.7	12.7	15.3	3.8	-2.6	3.1	3.5	9.1	-0.1	1.7	1.4	2.0	5.3	3.7	-4.8	3.5	0.7	5.4
Exports value	5.5	18.6	27.9	17.8	6.9	1.6	2.8	8.1	25.5	-2.0	31.0	15.7	13.6	5.3	-0.5	5.6	20.5	20.4	15.8	19.1	-2.5	16.4	-1.1	-0.1	3.7	2.6	11.8	0.5	3.9	-9.7
Export (ex-oil) value	2.6	17.3	23.3	15.5	6.1	3.9	2.6	7.1	24.3	-3.6	28.7	13.9	9.3	2.3	1.2	6.5	10.1	14.4	12.0	17.8	-5.9	12.9	-6.0	-1.5	8.1	4.2	11.7	-3.2	4.8	-6.6
Imports (ex-oil, gold) value	5.5	8.7	20.9	47.0	22.8	17.9	13.3	23.3	21.4	6.4	28.8	13.4	24.1	7.5	12.1	-2.4	11.2	10.3	19.9	14.7	4.4	13.7	-4.1	2.9	0.7	-1.9	-2.6	-3.4	-1.3	-9.0
Industry																														
Industrial production	3.5	1.2	4.4	3.2	2.9	-0.3	1.0	4.8	4.1	1.8	8.5	7.3	7.5	6.9	5.3	4.5	3.8	7.0	6.5	4.8	4.6	8.4	0.2	2.5	1.6	0.2	0.4	4.3	3.1	
Manufacturing PMI*	50.4	50.7	52.5	52.5	51.6	50.9	47.9	51.2	51.2	50.3	52.6	54.7	52.4	52.1	51.0	51.6	51.2	53.1	52.3	51.7	52.2	53.1	54.0	53.2	53.9	54.3	52.6	51.8	52.7	52.1
Corporate (industry) credit	-0.4	0.5	4.9	0.6	0.2	1.1	1.6	1.7	2.4	3.4	5.9	6.9	5.7	4.7	6.0	8.6	9.3	9.5	9.0	11.5	11.0	13.2	13.7	12.1	12.8	13.0	11.6	11.2	10.0	
Coal output	3.5	6.6	10.6	-3.3	-3.2	-6.7	0.6	15.4	10.4	3.9	0.7	0.4	3.8	1.3	9.1	15.2	12.0	11.5	9.8	2.4	6.4	11.3	3.7	1.1	2.0	7.4	9.1	3.2	1.8	
Steel output	11.3	8.7	11.0	9.0	3.8	6.0	9.4	2.2	3.7	8.6	14.5	0.4	1.7	5.0	4.7	3.0	-0.1	4.2	6.9	4.0	3.2	2.4	5.3	10.1	5.5	4.9	6.7	19.0	19.9	
Cement output	-13.3	-15.8	-6.8	-5.2	-1.4	-3.3	1.0	0.7	0.1	-1.3	16.9	17.7	19.6	23.0	13.5	21.9	13.0	14.2	11.2	14.6	11.8	18.4	8.8	11.6	11.0	8.0	15.7	2.3	2.8	
Electricity generation	5.2	1.2	6.2	5.3	8.2	2.2	6.6	8.3	3.4	3.2	3.9	4.4	7.7	4.6	6.0	2.1	4.1	8.4	6.7	7.6	8.2	10.9	5.1	4.4	0.8	1.2	2.1	5.9	7.2	
Core industries index	3.4	0.5	5.2	2.6	3.9	1.0	2.9	4.4	4.7	5.1	6.9	3.8	6.2	5.4	4.5	4.7	4.0	7.8	7.3	4.7	4.3	4.7	3.4	2.1	1.5	2.2	4.8	6.3	5.2	
Business expectation*			111.1			114.2			113.3			115.0			115.8			114.6			114.1			115.0			116.2		113.5	
Capacity utilization		74.6				71.2			71.8			74.1			75.2			73.8			74.8			75.9						
Services																														
Services PMI*	48.7	50.3	51.5	50.2	52.2	53.1	45.9	47.5	50.7	51.7	48.5	50.9	51.7	47.8	50.3	51.4	49.6	52.6	54.2	51.5	50.9	52.2	53.7	53.2	52.2	52.5	52.0	51.0	50.2	49.6
Light commercial vehicles	0.0	-0.6	3.6	-7.9	1.0	1.0	20.3	5.8	10.3	10.9	26.3	34.0	44.9	34.0	32.0	62.7	35.0	43.0	28.3	42.4	31.8	38.6	1.3	-4.2	5.2	1.4	1.6	-6.8	-4.8	-25.1
Medium & heavy commercial vehicles	-1.2	-9.9	1.7	-55.9	-58.0	-20.8	1.3	11.1	23.9	16.6	3.6	50.1	12.0	26.4	15.8	180.4	176.6	46.1	27.8	33.8	54.6	49.6	5.6	-12.5	4.4	-7.7	-2.7	-13.9	-18.1	-20.6
Railway traffic: passenger	1.4	-0.7	2.2	2.4	3.2	1.4	1.7	-2.1	-1.4	4.9	-4.6	1.4	1.1	1.0	2.1	0.9	-1.3	0.1	0.9	4.6	4.5	2.1	3.1	3.1	3.2	-0.7	0.5	0.6	-2.9	0.5
Airline: cargo traffic	13.7	9.4	18.3	17.4	17.2	13.9	10.9	16.3	18.6	5.2	19.6	13.2	9.7	9.6	3.9	6.1	6.8	6.8	10.6	7.2	4.1	14.2	3.0	4.7	4.2	3.1	2.0	-3.2	-4.0	-7.9
Deposits	12.8	12.0	15.4	10.9	10.3	12.7	9.5	8.9	8.2	8.7	2.9	3.6	4.5	5.4	6.2	7.7	8.1	5.5	8.6	9.7	8.0	8.8	10.6	8.7	9.5	9.8	10.0	9.6	11.0	10.1
Bank Credit	4.3	3.7	8.2	4.9	4.8	8.1	5.6	6.3	6.6	6.8	9.3	10.5	10.2	10.8	9.9	12.2	12.7	10.1	12.3	13.9	12.4	14.4	17.4	13.8	14.7	14.5	13.2	12.9	13.4	12.0
Agriculture																														
Agricultural production	-15.4	-9.1	-11.9	-1.2	3.9	6.7	7.3	11.8	15.8	14.9	17.2	19.0	24.7	13.7	11.2	8.7	15.6	16.2	20.8	25.8	27.1	14.7	19.8	19.0	25.6	27.0	35.0	12.5	13.6	18.6
Other indicators																														
Gross tax (ex-service tax) (YTD)	11.2	15.4	17.9	19.7	20.0	16.6	17.8	21.5	23.0	24.9	24.6	25.6	47.5	33.6	19.3	26.2	26.4	27.4	24.5	21.5	19.1	16.8	16.4	14.7	15.9	15.6	12.6	11.8	9.6	
BSE Sensex (Monthly Change %)	3.01	4.76	2.85	1.46	2.44	2.38	2.36	-0.34	0.36	1.60	3.08	0.09	4.68	-2.01	-2.81	2.47	2.73	0.93	2.83	4.55	-1.74	-7.70	2.26	1.61	0.51	0.24	4.14	3.26	-0.74	2.50
OECD Composite leading indicators*	98.9	98.9	98.9	98.9	99.0	99.0	99.2	99.3	99.4	99.6	99.7	99.9	100.0	100.1	100.2	100.4	100.4	100.5	100.6	100.6	100.6	100.7	100.7	100.7	100.7					

Sources: CEIC Data Company Ltd., Haver Analytics, OECD, and IMF staff estimates.

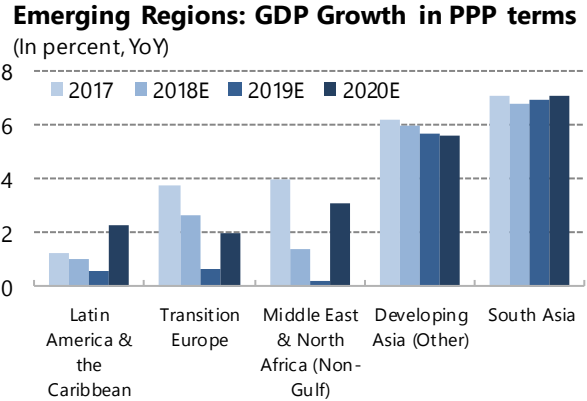
* Index values. Note: The cell is highlighted in dark green if the growth is above average. The cell is highlighted in dark red if the growth is below average. The average for each data series covers data points since 2012 H1 to latest month.

South Asia: Recent Economic Developments and Outlook

Economic growth remains strong in 2019 in most South Asian countries

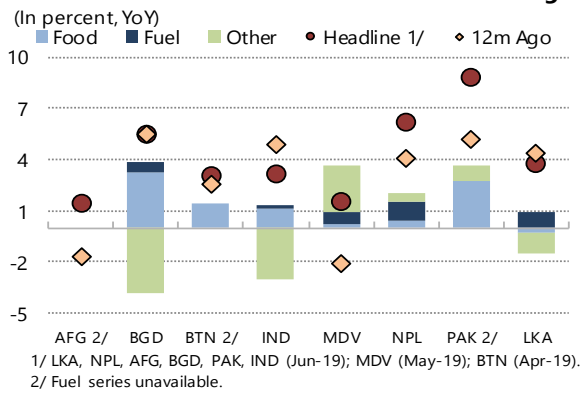


South Asia's growth exceeds growth in comparator regions



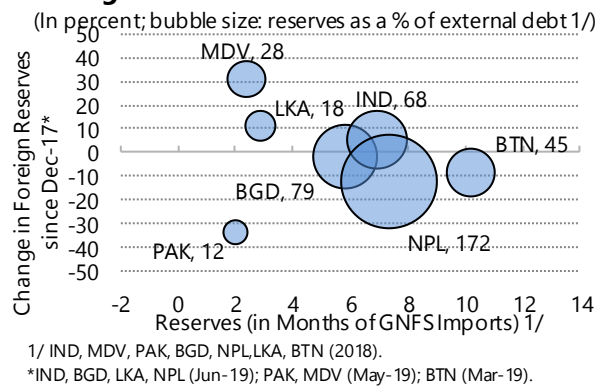
Inflation remains mostly anchored, but has increased substantially in Pakistan

Inflation: Headline and Contributions to Change



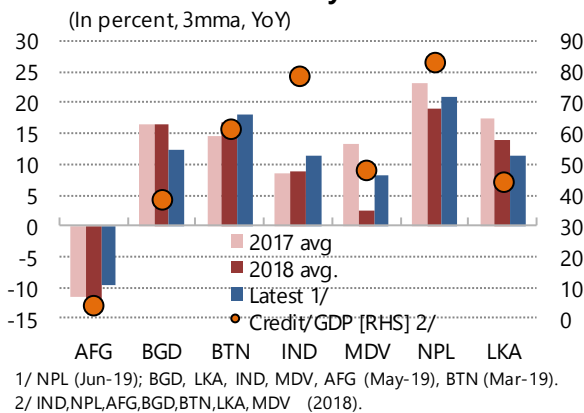
Foreign exchange reserves have declined, except in India, Maldives, and Sri Lanka

Foreign Reserves



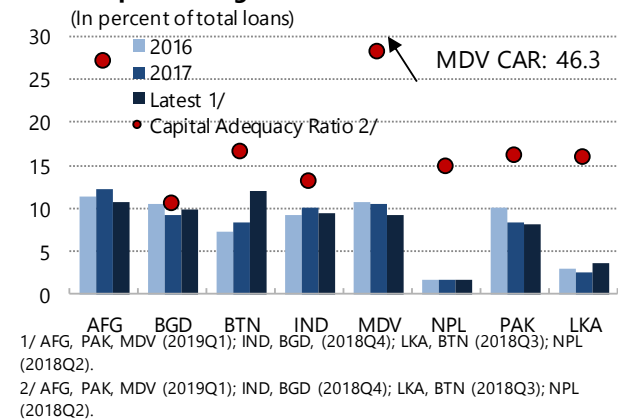
Credit growth varies widely across South Asian economies and remains high in Nepal

Credit to the Economy



Impaired loans are large in some banking systems, but capitalization appears largely adequate

Nonperforming Loans Ratio

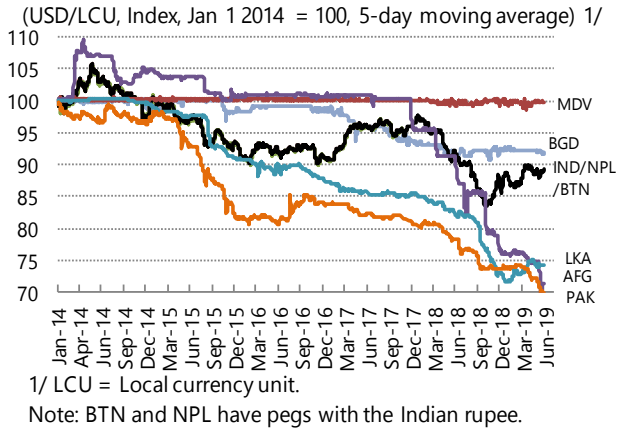


Sources: IMF, *International Financial Statistics*; IMF, *Financial Soundness Indicators*; IMF, *World Economic Outlook*; national monetary authorities; Haver Analytics; Bloomberg; and CEIC. Country acronyms denote: Islamic Republic of Afghanistan (AFG); Bangladesh (BGD); Bhutan (BTN); India (IND); Maldives (MDV); Nepal (NPL); Pakistan (PAK); and Sri Lanka (LKA). EM denotes emerging market economies.

South Asia: Recent Economic Developments and Outlook, cont'd

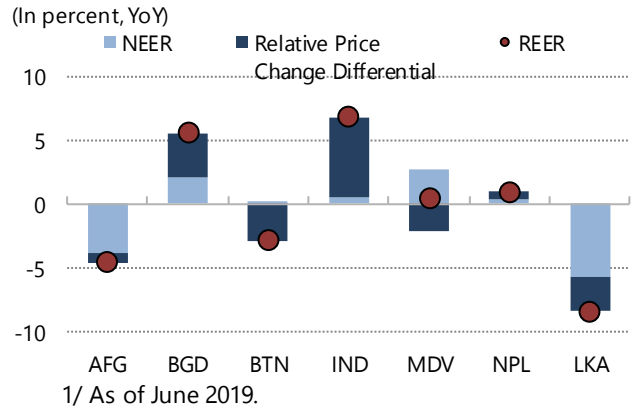
Nominal exchange rate flexibility is a policy feature in several South Asian economies

Exchange Rates



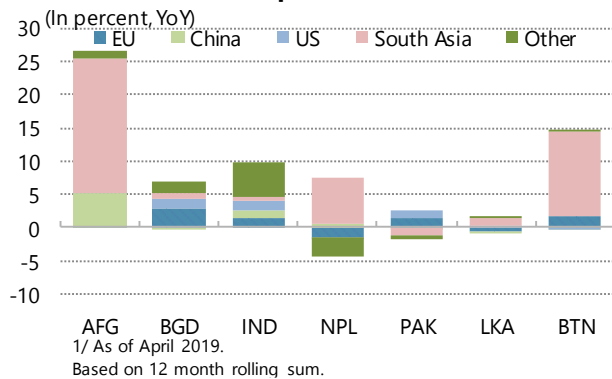
Cross currency movements have been a prominent driver of real exchange rates

Contributions to changes in REER 1/



Intra-South Asian trade remains modest for the larger economies

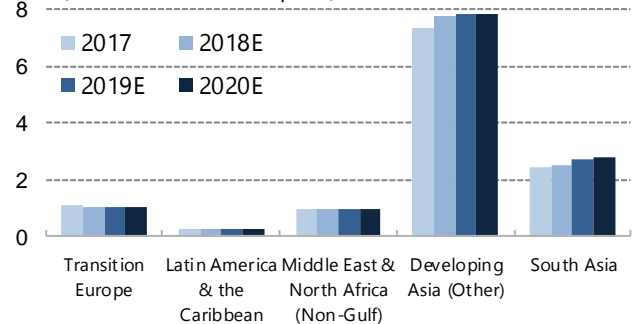
Contributions to Export Growth 1/



South Asia's share of world trade continues to grow, but remains relatively limited

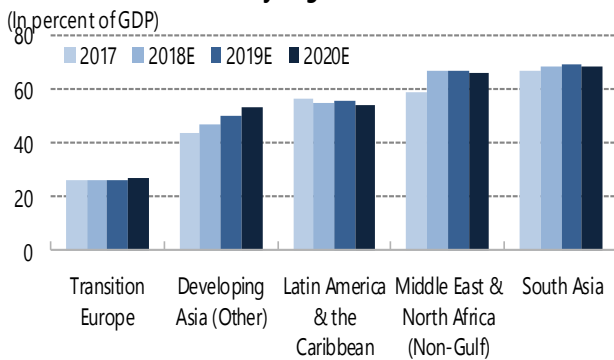
EM's Exports of G&S

(As a share of world exports)



While broadly stable, South Asia's public debt remains the highest among comparator regions

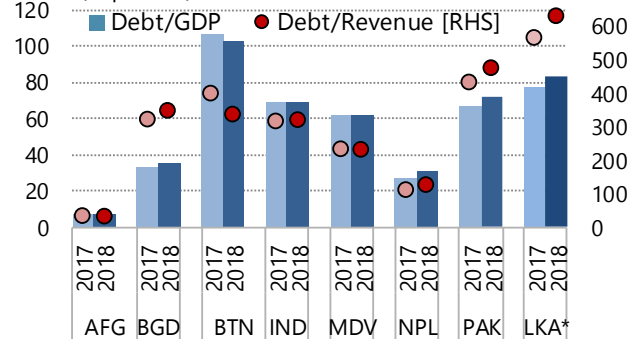
EM's Government Debt by Region



Public debt-to-GDP ratios and debt-to-revenue ratios typically move in the same direction

South Asia: Public Debt

(In percent)



*LKA Public Debt excludes guarantees.

Sources: IMF, *Direction of Trade Statistics*; IMF, *World Economic Outlook*; CEIC; Haver Analytics; and Bloomberg. Country acronyms denote: Islamic Republic of Afghanistan (AFG); Bangladesh (BGD); Bhutan (BTN); India (IND); Maldives (MDV); Nepal (NPL); Pakistan (PAK); and Sri Lanka (LKA). EM denotes emerging market economies.

South Asia: Selected Economic Indicators

	Average						Projections		
	2001-10	2013	2014	2015	2016	2017	2018	2019	2020
Real GDP Growth	7.0	6.0	6.9	7.4	7.6	6.9	6.6	6.6	6.7
<i>(Annual change; percent)</i>									
Afghanistan	...	5.7	2.7	1.0	2.2	2.7	2.7	3.0	3.5
Bangladesh	5.8	6.0	6.1	6.6	7.1	7.3	7.9	8.0	7.6
Bhutan	8.4	3.6	4.0	6.2	7.3	7.4	5.8	4.8	6.3
India	7.6	6.4	7.4	8.0	8.2	7.2	6.8	7.0	7.2
Maldives	7.1	7.3	7.3	2.9	7.3	6.9	7.5	6.5	6.0
Nepal	4.0	4.1	6.0	3.3	0.6	7.9	6.3	6.5	6.3
Pakistan	4.6	3.7	4.1	4.1	4.6	5.2	5.5	3.3	2.4
Sri Lanka	5.1	3.4	5.0	5.0	4.5	3.3	3.2	3.6	4.0
Consumer Price Inflation	6.8	9.0	6.1	4.9	4.4	3.9	3.6	4.1	5.1
<i>(Year average; percent)</i>									
Afghanistan	...	7.4	4.7	-0.7	4.4	5.0	0.6	2.6	4.5
Bangladesh	6.3	7.5	7.3	6.4	5.9	5.4	5.8	5.5	5.6
Bhutan	4.6	11.3	9.5	7.6	7.6	5.5	3.6	4.0	4.5
India	6.5	9.4	5.8	4.9	4.5	3.6	3.4	3.6	4.2
Maldives	4.1	3.8	2.1	1.9	0.8	2.3	1.4	1.5	2.3
Nepal	6.2	9.9	9.0	7.2	9.9	4.5	4.2	4.9	6.5
Pakistan	8.2	7.4	8.6	4.5	2.9	4.1	3.9	7.3	13.0
Sri Lanka	9.8	6.9	2.8	2.2	4.0	6.6	4.3	4.5	4.6
General Gov. Overall Fiscal Balance	-7.6	-6.8	-6.5	-6.7	-6.5	-6.6	-6.6	-6.8	-6.5
<i>(Percent of GDP)</i>									
Afghanistan ¹	...	-0.6	-1.7	-1.4	0.1	-0.6	1.5	-0.8	0.0
Bangladesh ¹	-2.9	-3.4	-3.1	-4.0	-3.4	-3.3	-4.6	-4.8	-4.8
Bhutan	-3.0	-4.2	3.8	1.5	-1.1	-3.3	-1.0	2.2	-0.6
India	-8.7	-7.0	-7.1	-7.2	-7.1	-7.0	-6.9	-7.1	-6.8
Maldives	-7.0	-4.3	-7.1	-6.8	-9.3	-2.7	-5.3	-4.8	-4.6
Nepal	-1.0	1.8	1.5	0.7	1.4	-3.1	-6.5	-5.0	-5.0
Pakistan	-3.8	-8.4	-4.9	-5.3	-4.4	-5.8	-6.4	-6.8	-7.1
Sri Lanka ¹	-6.9	-5.2	-6.2	-7.0	-5.4	-5.5	-5.3	-4.6	-3.5
Current Account Balance	-0.6	-1.5	-1.1	-0.9	-0.6	-2.1	-2.9	-2.7	-2.4
<i>(Percent of GDP)</i>									
Afghanistan	...	0.3	5.8	2.9	8.4	4.7	9.1	2.0	0.2
Bangladesh	0.5	1.6	0.8	1.8	1.9	-0.5	-3.6	-2.0	-2.1
Bhutan	-13.1	-25.4	-26.4	-28.3	-29.4	-22.8	-22.7	-15.0	-10.6
India	-0.8	-1.7	-1.3	-1.0	-0.6	-1.8	-2.5	-2.5	-2.4
Maldives	-12.6	-4.3	-3.7	-7.5	-23.2	-21.9	-23.9	-19.5	-15.1
Nepal	2.5	3.3	4.5	5.0	6.3	-0.4	-8.2	-9.6	-12.5
Pakistan	-1.5	-1.1	-1.3	-1.0	-1.7	-4.1	-6.3	-4.6	-2.6
Sri Lanka	-2.7	-3.4	-2.5	-2.3	-2.1	-2.6	-3.2	-2.8	-2.6

Sources: IMF, *World Economic Outlook*; national monetary authorities; and IMF staff estimates and projections.

¹Central government.

Notes: Regional aggregates are weighted by national PPP GDP. South Asia countries have the following shares in South Asian PPP-weighted GDP in 2016: India (81.1 percent); Pakistan (9.2 percent); Bangladesh (5.9 percent); Sri Lanka (2.4 percent); Nepal (0.7 percent); Afghanistan (0.6 percent); Bhutan (0.1 percent); Maldives (0.1 percent). Variables reported on a fiscal year basis for India (April/March); Bhutan, Pakistan (July/June); Afghanistan (March 21/March 20 until 2011, and December 21/December 20 thereafter); Nepal (August/July); Bangladesh (Fiscal Balance only: July/June). Sri Lanka real GDP growth numbers reflect projections based on the revised (2010 base) national accounts data published by the authorities.