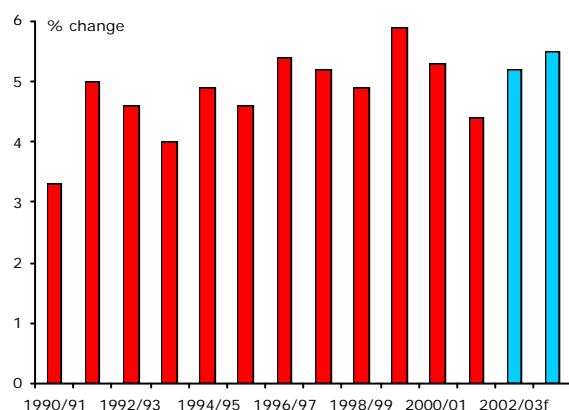


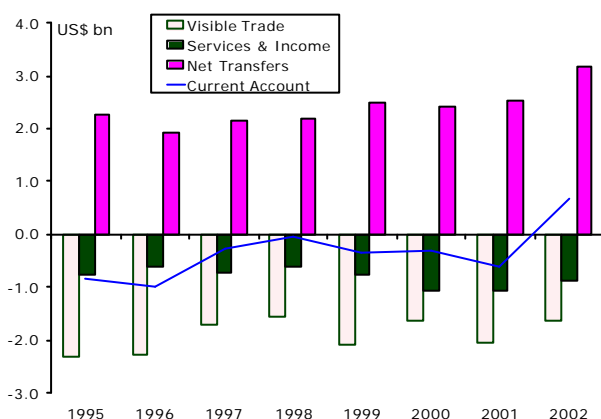
Country Update: Bangladesh

Real GDP growth has recovered to about 5%



Source: IMF, ANZ Bank estimates

Foreign aid and workers' remittances are vital to the balance of payments



Sources: Economist Intelligence Unit, Bangladesh Bank, ANZ Bank

- Real GDP grew by 4.4% in 2001/02, its slowest since 1993/94, but growth is estimated to have recovered to about 5% in 2002/03. Inflation rose from 2% at end-2001 to 6.0% in March 2003.
- The US\$ value of exports was virtually unchanged between 2001 and 2002, while imports fell by 5%. As a result, the large visible trade deficit narrowed slightly and a current account deficit equivalent to 1.3% of GDP in 2001 was succeeded by a surplus of 1.4% in 2002. After peaking at US\$280 mn in 2000, direct foreign investment fell to only US\$79 mn in 2001 and US\$45 mn in 2002. There was a small rise in fx reserves in 2002, but import cover remains low at 2 months.
- The central bank allowed the taka to float from end-May 2003. This represented a significant change of policy by the government that had previously resisted IMF calls to float the currency because the economy was too fragile. The exchange rate will no longer be determined with reference to a pre-announced currency band, but the bank will still intervene, from time to time, to maintain orderly market conditions. Prior to the exchange rate move, there had been fears that a float could trigger a big devaluation or damaging currency volatility. However, while the medium-term trend of the taka against the US dollar is likely to be down, reflecting the weak Bangladeshi economy, such depreciation will not necessarily be large-scale or disorderly.
- The IMF approved a one-year Poverty Reduction and Growth Facility in June 2003 that is worth SDR347 mn (approximately US\$490 mn). The renewal of IMF assistance recognises recent progress in the economic reform arena, but further reforms are needed to boost economic growth and attract new foreign investment. Other obstacles to improving economic performance include corruption, poor law and order, and the political battle between the government and opposition.

Economic data and debt statistics

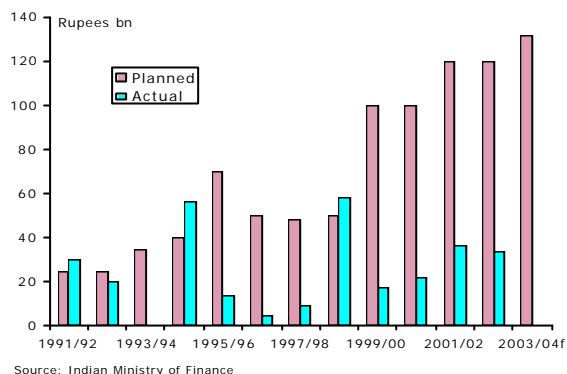
Bangladesh	1997	1998	1999	2000	2001	2002	2003f	2004f
Economic growth (%) *	5.4	5.2	4.9	5.9	5.3	4.4	5.2	5.5
Inflation (yr av, %)	1.7	7.0	8.9	3.9	1.1	2.8	5.0	5.0
Budget Balance (% of GDP) *	-4.3	-4.1	-5.3	-5.2	-6.1	-4.4	-3.6	
Current Account (% of GDP)	-0.7	-0.1	-0.8	-0.6	-1.3	1.4	-0.2	
External Debt (US\$ bn)	14.4	15.7	16.6	15.7	15.3	16.7	17.8	
Ext Debt/GDP Ratio (%)	34.1	35.6	36.2	33.3	32.6	35.4	34.9	
Ext Debt/Exports Ratio (%)	202.0	207.1	203.6	169.3	170.1	162.2	155.5	
Short term debt/Reserves (%)	11.1	7.9	15.8	19.9	25.5	20.0		
Debt Service Ratio (Paid) (%)	9.7	8.5	8.8	8.6	8.2	7.7		
Debt Service Ratio (Due) (%)	9.7	8.5	8.8	8.7	8.2	7.7	7.5	
Foreign Exchange Reserves (US\$ bn)	1.6	1.9	1.6	1.5	1.3	1.7	1.7**	
Import Cover (months)	2.4	2.9	2.2	1.8	1.6	2.0		

* fiscal years ending 30 June ** March 2003

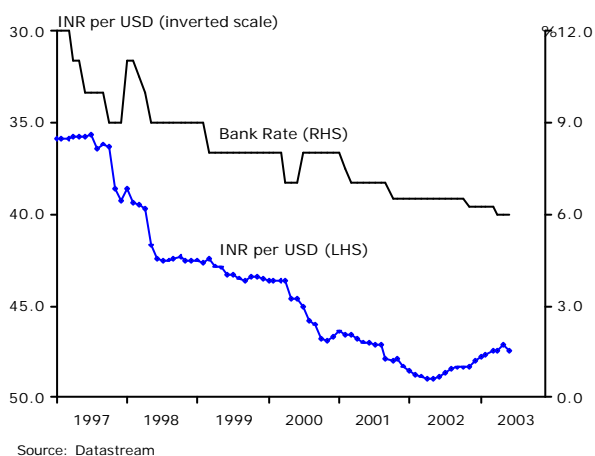
Sources: IMF, Bangladesh Bank, Economist Intelligence Unit, ANZ Bank

Country Update: India

Privatisation proceeds keep falling short of the government's target



Interest rates are declining and the rupee appreciating against the US dollar



- Real GDP growth is estimated to have slowed to 4.4% in 2002/03 mainly because of a fall in agricultural output due to drought. Provisional estimates show that the manufacturing sector grew by about 6% and the services sectors by about 7%.
- The government has failed to significantly reduce the large fiscal deficit. The central government deficit fell slightly from 6.3% in 2001/02 to an estimated 6.0% in 2002/03 and the general government deficit from 10.2% to 9.5%. General government debt has reached about 80% of GDP. According to the 2003/04 budget, there will be no improvement this year with the government apparently reluctant to introduce tough measures ahead of forthcoming elections. The budget reduced income tax surcharges and raised personal tax-free allowances. There were incentives to stimulate activity in several sectors and an ambitious road construction programme. The maximum import tariff was reduced from 30% to 25%, while administered interest rates on the government's savings schemes were cut by 100 basis points. Plans for VAT reform have since been postponed because of political opposition.
- Strong political and labour opposition is, yet again, likely to thwart plans to raise INR132 bn in privatisation proceeds in 2003/04.
- Inflation has risen in recent months due to higher oil prices (CPI inflation was 5.1% in April) but this has not prevented a modest easing in monetary policy with the RBI reducing its repo rate from 5.5% to 5.0% in March and its bank rate from 6.25% to 6.0% in April.
- The government expects real GDP growth to recover to 6.0% in 2003/04 while ANZ's projection is 5.6%.

Economic data and debt statistics

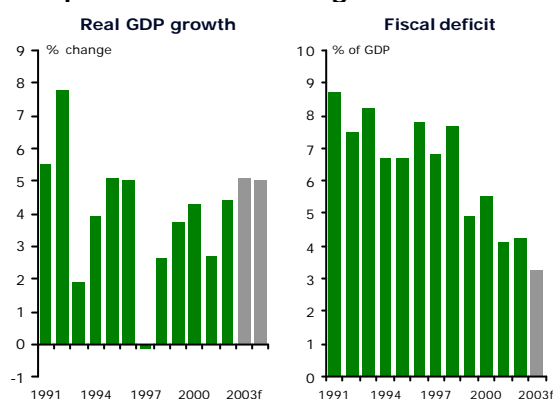
India	1997	1998	1999	2000	2001	2002e	2003f	2004f
Economic growth (%)*	4.8	6.6	6.1	4.5	5.5	4.4	5.6	6.0
Inflation (yr av, %)	7.3	13.2	4.9	4.0	3.7	4.4	5.0	5.5
Budget Balance (% of GDP)*	-4.9	-5.5	-5.5	-5.6	-6.3	-6.0	-6.1	
Current Account (% of GDP)	-0.7	-1.7	-0.7	-0.9	0.0	1.0	0.5	
External Debt (US\$ bn)	94.3	97.6	98.3	99.1	97.3	96.1	99.3	
Ext Debt/GDP Ratio (%)	23.0	23.6	22.1	22.0	20.2	19.2	17.6	
Ext Debt/Exports Ratio (%)	166.6	171.1	152.6	135.9	125.5	108.0	97.6	
Short term debt/Reserves (%)	20.4	15.8	12.0	9.1	6.0	4.4		
Debt Service Ratio (Paid) (%)	22.0	21.2	15.8	14.9	12.0	13.7		
Debt Service Ratio (Due) (%)	22.0	21.2	15.8	14.9	12.0	13.7	11.9	
Foreign Exchange Reserves (US\$ bn)	24.7	27.3	32.7	37.9	45.9	67.7	69.8**	
Import Cover (months)	5.1	5.5	6.2	6.0	7.3	10.2		

* fiscal year beginning 1 April ** February 2003

Sources: IMF, Institute of International Finance, Economist Intelligence Unit, ANZ Bank

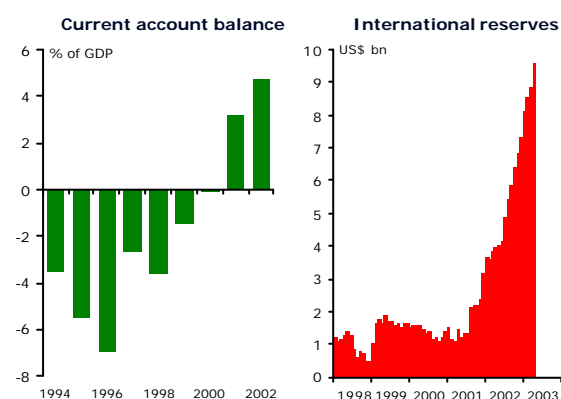
Country Update: Pakistan

The recent improvement in economic performance is being sustained



Sources: Economist Intelligence Unit, Institute of International Finance, ANZ Bank
Years ending June ie 2003 = 2002/03

The current account is in surplus and reserves have risen sharply



Sources: Economist Intelligence Unit, IMF

- Pakistan's co-operation in the war on terrorism paved the way for renewed IMF assistance and debt rescheduling in late 2001. The Bush administration is seeking Congressional approval of a new US\$3 bn five-year package of financial assistance and, with the recent improvement in economic performance likely to bolster investor sentiment, Pakistan is planning a return to international capital markets. GDP growth, which rose from 2.7% in 2000/01 to 4.4% in 2001/02, is estimated to have risen to 5.1% in 2002/03 assisted by a strong rise in workers' remittances and higher agricultural output.
- The government is expected to meet its main fiscal targets in 2002/03, with the general government deficit projected to decline to 3.2% of GDP from 4.2% in 2001/02. Total expenditure is expected to have remained constant, while revenue is expected to have risen by almost 9% due to the elimination of various tax exemptions and an extension of the General Sales Tax.
- A strong increase in workers' remittances is mainly responsible for the recent improvement on the current account; a surplus equivalent to 3.2% of GDP in 2001, the first since 1983, was succeeded by a 4.7% surplus in 2002. The debt servicing burden has eased significantly as a result of the Paris Club rescheduling at end-2001 and the low level of international interest rates. FX reserves have recovered strongly from lows just above US\$1 bn in early 2001 to a record US\$9.7 bn in April 2003. Pakistan plans to continue its recent policy of repaying a portion of external debt ahead of schedule.
- Planned tax reforms, privatisation, and financial sector liberalisation should bolster economic performance, but notwithstanding the clear improvement over the past 18 months the economy still faces significant threats. There is strong opposition to reforms from groups with entrenched interests, as well as political risks.

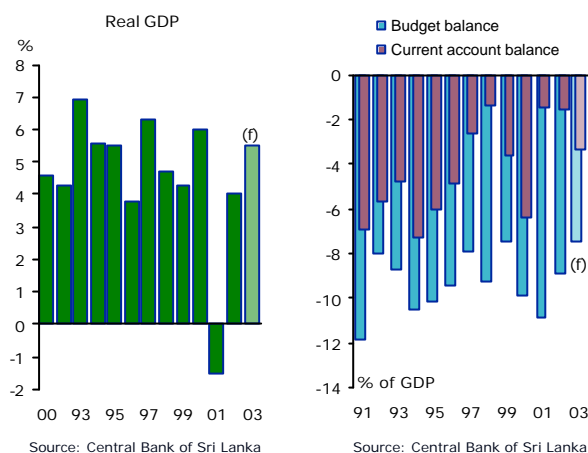
Economic data and debt statistics

Pakistan	1997	1998	1999	2000	2001	2002	2003f	2004f
Economic growth (%)*	-0.1	2.6	3.7	4.3	2.7	4.4	5.1	5.0
Inflation (yr av, %)	11.4	6.2	4.2	4.4	3.2	3.3	4.0	4.0
Budget Balance (% of GDP)*	-6.8	-7.7	-4.9	-5.5	-4.1	-4.2	-3.2	
Current Account (% of GDP)	-2.7	-3.6	-1.5	-0.1	3.2	4.7	2.2	
External Debt (USD bn)	30.1	32.3	33.9	32.8	32.0	34.9	37.4	
External Debt/GDP Ratio (%)	48.3	52.1	54.0	53.9	54.5	56.9	52.5	
External Debt/Exports Ratio (%)	254.3	307.1	333.6	289.9	271.6	242.6	223.1	
Short-term Debt/Reserves (%)	207.6	210.0	121.1	100.4	36.1	15.7		
Debt Service Ratio (Paid) (%)	34.5	21.9	28.9	25.4	25.2	14.4		
Debt Service Ratio (Due) (%)	34.5	29.4	28.9	25.4	25.2	14.4	14.4	
International Reserves (USD bn)	1.2	1.0	1.5	1.5	3.6	8.1	9.7**	
Import Cover (g & s) (months)	1.1	1.0	1.6	1.5	3.6	7.1		

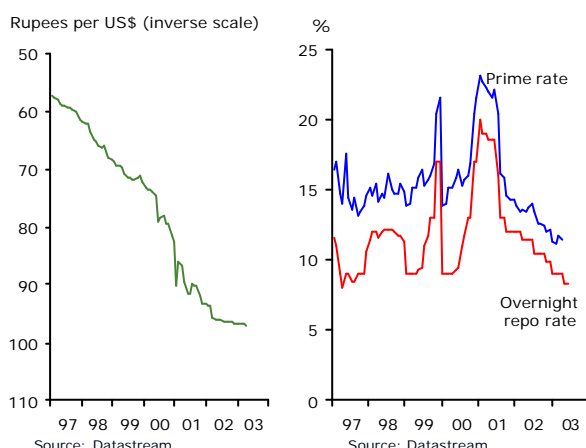
* fiscal years ending 30 June ** April 2003 Sources: IMF, Economist Intelligence Unit, ANZ Bank

Country Update: Sri Lanka

Growth recovering, but budget and external deficits a problem



More stable currency has enabled recent interest rate cuts



- The current peace process began with a ceasefire declared by the LTTE on 25 December 2001. Multiple rounds of talks have been held since then, and good progress made. However, in recent months there have been a number of violations and the LTTE has refused to attend scheduled talks.
- After the failure to meet IMF conditions attached to an emergency stand-by arrangement in 2001, relations with the IMF have improved. The stand-by arrangement was renegotiated and completed in September 2002, and a new programme has been agreed. The new combined PRGF/EFF arrangement involves loans totalling US\$570 mn, to be disbursed in seven tranches over three-and-a-half years, subject to performance criteria. This programme has facilitated other multilateral as well as bilateral assistance, and at the recent donor conference in Tokyo, some US\$4.5 bn was pledged over three years.
- After a disastrous year in 2001, when drought, military spending, high interest rates and falling exports combined to produce a recession, large fiscal and external deficits, a collapse in the currency and an associated surge in inflation, the year 2002 saw meaningful consolidation, due in significant measure to the ceasefire and improving sentiment. Interest rates have been lowered throughout 2002 and 2003. GDP grew 4% in 2002, and over the year to Q1/2003, by 5.5%, setting the scene for a good economic performance this year.
- Large budget deficits have been a perennial problem in Sri Lanka. In 2002, the deficit was reduced to 8.9% of GDP from 10.9% the previous year. For 2003 the deficit is projected to decline further to 7.5%, aided by stronger economic growth.

Economic data and debt statistics

Sri Lanka	1997	1998	1999	2000	2001	2002	2003f	2004f
Economic growth (%)	6.3	4.7	4.3	6.1	-1.5	4.0	5.5	6.0
Inflation (yr av, %)	9.7	9.5	4.7	6.2	14.2	9.7	9.0	7.2
Budget Balance (% of GDP)	-4.5	-8.0	-6.9	-9.5	-10.0	-7.9	-7.2	
Current Account (% of GDP)	-2.6	-1.4	-3.6	-6.4	-1.7	-1.6	-2.5	
External Debt (US\$ bn)	8.0	8.9	9.7	9.0	8.5	9.6	10.1	
Ext Debt/GDP Ratio (%)	53.2	56.7	62.2	55.2	55.2	58.8	56.8	
Ext Debt/Exports Ratio (%)	120.2	128.6	143.3	117.4	115.6	130.4	123.7	
Short term debt/Reserves (%)	23.7	21.9	57.8	67.9	57.9	50.8		
Debt Service Ratio (Paid) (%)	8.3	8.6	10.9	10.1	9.7	10.3		
Debt Service Ratio (Due) (%)	8.6	9.7	11.7	10.1	9.7	10.3	10.0	
Foreign Exchange Reserves (US\$ bn)	2.0	2.0	1.6	1.0	1.3	1.6	1.7*	
Import Cover (months)	3.7	3.6	2.9	1.5	2.2	2.8		

* January 2003

Sources: IMF, Economist Intelligence Unit, ANZ Bank

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