

CENTRAL BANK OF SRI LANKA



ANNUAL REPORT (Volume I)

OF THE MONETARY BOARD TO THE
HON. MINISTER OF FINANCE

FOR THE YEAR

2018

Price per copy (for both Volumes)

Counter sales	–	Rs. 500 per copy
Despatch by ordinary mail	–	Rs. 750 per copy
Despatch by registered mail	–	Rs. 775 per copy

Despatch abroad

Air mail (1st Class)	–	US \$ 40 per copy (Registered post)
Air mail (2nd Class)	–	US \$ 35 per copy (Registered post)
Sea mail	–	US \$ 25 per copy (Registered post)

ISBN 978-955-575-385-2

ISSN 1391-359X



Dr. Indrajit Coomaraswamy
Governor

Central Bank of Sri Lanka
30, Janadhipathi Mawatha
Colombo 01, Sri Lanka.

08 April 2019

The Honourable Minister of Finance
Ministry of Finance
The Secretariat
Colombo 01.

Dear Sir,

Annual Report of the Monetary Board 2018

In terms of Section 35 of the Monetary Law Act (Chapter 422), within four months after the end of each financial year, the Monetary Board of the Central Bank of Sri Lanka is required to submit an Annual Report to the Honourable Minister of Finance on the condition of the Central Bank and a review of the policies and measures adopted by the Monetary Board during the financial year and an analysis of the economic and financial circumstances which prompted those policies and measures.

The Sixty Ninth Annual Report of the Monetary Board of the Central Bank, in respect of the year 2018, is submitted herewith in fulfilment of this obligation.

Yours faithfully,

CENTRAL BANK OF SRI LANKA

THE MONETARY BOARD

INDRAJIT COOMARASWAMY

Governor

R. H. S. SAMARATUNGA

Secretary to the Ministry of Finance

MRS. M. RAMANATHAN

Appointed Member

C. P. R. PERERA

Appointed Member

A. N. FONSEKA

Appointed Member

PRINCIPAL OFFICERS AS AT 31 DECEMBER 2018

Senior Deputy Governor

P. NANDALAL WEERASINGHE

Deputy Governors

K. D. RANASINGHE

S. R. ATTYGALLE

H. A. KARUNARATNE

Assistant Governors

R. A. A. JAYALATH

K. M. M. SIRIWARDANA (*On Release*)

S. J. A. HANDAGAMA

MRS. K. M. A. N. DAULAGALA

(Secretary to the Monetary Board)

MRS. S. GUNARATNE

N. W. G. R. D. NANAYAKKARA

MRS. T. M. J. Y. P. FERNANDO

J. P. R. KARUNARATNE

MRS. K. GUNATILAKE

DEPARTMENTAL HEADS

Bank Supervision Department

A. A. M. THASSIM	-	Director
J. P. GAMALATH	-	Additional Director

Centre for Banking Studies

MRS. H. P. T. WIJESURIYA	-	Director
D. M. D. B. DISSANAYAKE	-	Additional Director

Communications Department

MISS. S. H. GUNAWARDENA	-	Director
-------------------------	---	----------

Currency Department

MRS. C. M. D. N. K. SENEVIRATNE	-	Superintendent
A. G. U. THILAKARATHNA	-	Additional Superintendent
A. M. GUNATHILAKE	-	Additional Superintendent

Department of Foreign Exchange

U. P. ALAWATTAGE	-	Director
<i>(On Leave Prior to Retirement)</i>		
R. R. JAYARATNE	-	Acting Director

Department of Supervision of Non-Bank Financial Institutions

W. RANAWEERA	-	Director
MRS. V. A. A. N. DE SILVA	-	Additional Director

Domestic Operations Department

C. A. ABEYSINGHE	-	Director
------------------	---	----------

Economic Research Department

MRS. Y. M. INDRARATNA	-	Director
C. AMARASEKARA	-	Additional Director
P. K. G. HARISCHANDRA	-	Additional Director

Employees' Provident Fund Department

MRS. K. N. N. M. BANDARA	-	Superintendent
J. D. S. J. NANAYAKKARA	-	Additional Superintendent
MISS. S. C. GUNADHEERA	-	Additional Superintendent

Facilities Management Department

H. B. D. KARUNARATNE	-	Director
R. M. JAYAWARDENA	-	Additional Director

Finance Department

MRS. U. L. MUTHUGALA	-	Chief Accountant
MRS. D. S. L. SIRIMANNE	-	Additional Chief Accountant

Financial Intelligence Unit

D. M. RUPASINGHE - Director
MRS. E. H. MOHOTTY - Additional Director

Human Resources Department

K. M. ABEYKOON - Director
G. D. P. D. JAYATHILAKE - Additional Director

Information Technology Department

K. V. K. ALWIS - Director
M. R. WIJEWARDANE - Additional Director

Internal Audit Department

A. M. N. GUNAWARDANA - Director

International Operations Department

C. N. WIJAYASEKERA - Director
MRS. D. S. W. SAMARATUNGA - Additional Director

Legal and Compliance Department

P. V. L. NANDASIRI - Director
(On Leave Prior to Retirement)
K. G. P. SIRIKUMARA - Acting Director

Macroprudential Surveillance Department

K. H. A. S. ARIYARATNA - Director
MRS. W. A. DILRUKSHINI - Additional Director

Payments and Settlements Department

D. KUMARATUNGE - Director
C. P. S. BANDARA - Additional Director
Y. P. JAYASENA - Additional Director

Policy Review and Monitoring Department

T. D. H. KARUNARATHNE - Director

Public Debt Department

M. Z. M. AAZIM - Superintendent and Registrar
MRS. R. D. T. GUNASEKARA - Additional Superintendent

Regional Development Department

MRS. D. V. S. DAYAWANSA - Director
M. S. K. DHARMAWARDANE - Additional Director
U. L. TILAKARATNE - Additional Director

Regional Office Management Department

H. AMARATHUNGA - Director

Resolution and Enforcement Department

S. K. RANASINGHE	-	Director
<i>(On Leave Prior to Retirement)</i>		
B. L. J. S. BALASOORIYA	-	Director
W. R. M. K. FERNANDO	-	Additional Director

Risk Management Department

MRS. R. A. PERERA	-	Director
-------------------	---	----------

Secretariat Department

MRS. K. DASSANAYAKE	-	Secretary
N. R. WICKRAMASINGHE	-	Additional Secretary

Security Services Department

A. D. G. A. JAYAWARDANE	-	Director
-------------------------	---	----------

Staff Services Management Department

T. H. B. SARATHCHANDRA	-	Director
------------------------	---	----------

Statistics Department

A. R. K. WIJSEKERA	-	Director
--------------------	---	----------

Training and Development Department

D. A. G. K. WIJETUNGA	-	Director
<i>(On Leave Prior to Retirement)</i>		
M. R. M. ABEYRATNE	-	Acting Director

AUDITOR**H. M. GAMINI WIJESINGHE***Auditor General*

CONTENTS

Volume I

PART I

						Page
1. ECONOMIC, PRICE AND FINANCIAL SYSTEM STABILITY, OUTLOOK AND POLICIES						
1.1	Overview	...	...	...	...	1
1.2	Macroeconomic Developments, Stability and Policy Responses in 2018	...	...	...	...	4
	Real Sector Developments and Inflation	...	...	...	...	4
	External Sector Developments	...	...	...	...	10
	Fiscal Sector Developments	...	...	...	...	15
	Monetary Sector Developments	...	...	...	...	18
	Financial Sector Developments	...	...	...	...	21
1.3	Global Economic Environment and Outlook	...	...	...	...	22
1.4	Medium Term Macroeconomic Outlook	...	...	...	...	24
1.5	Issues and Policies	...	...	...	...	27
2. NATIONAL OUTPUT, EXPENDITURE AND INCOME						
2.1	Overview	...	...	...	...	47
2.2	GDP, GDP Per Capita and Gross National Income (GNI)	...	...	...	...	49
2.3	Contribution from Institutional Sectors	...	...	...	...	50
2.4	Output, Policies, Institutional Support and Issues	...	...	...	...	51
	Agriculture	...	...	...	...	51
	Agriculture Production Index	...	...	...	...	51
	Paddy	...	...	...	...	52
	Tea	...	...	...	...	53
	Rubber	...	...	...	...	54
	Coconut	...	...	...	...	54
	Minor Export Crops	...	...	...	...	55
	Other Field Crops	...	...	...	...	56
	Vegetables	...	...	...	...	56
	Fruits	...	...	...	...	57
	Sugar	...	...	...	...	57
	Fisheries	...	...	...	...	57
	Livestock	...	...	...	...	58
	Agriculture Policies and Institutional Support	...	...	...	...	59
	Industry	...	...	...	...	66
	Mining and Quarrying	...	...	...	...	66
	Manufacturing	...	...	...	...	67
	Index of Industrial Production	...	...	...	...	67
	Industrial Policies and Institutional Support	...	...	...	...	70
	Electricity, Water and Waste Treatment	...	...	...	...	73
	Construction	...	...	...	...	74
	Services	...	...	...	...	74
	Wholesale and Retail Trade	...	...	...	...	74
	Transportation and Storage	...	...	...	...	75
	Accommodation and Food Service Activities	...	...	...	...	75
	Information and Communication	...	...	...	...	76
	Financial, Insurance and Real Estate Activities including Ownership of Dwellings	...	...	...	...	76
	Professional Services and Other Personal Service Activities	...	...	...	...	76
	Public Administration, Defence, Education, Human Health and Social Work Activities	...	...	...	...	77
2.5	Expenditure	...	...	...	...	77
	Consumption	...	...	...	...	77
	Private Consumption Expenditure (PCE)	...	...	...	...	78
	Government Consumption Expenditure (GCE)	...	...	...	...	80
	Investment	...	...	...	...	81
	Availability and Utilisation of Resources	...	...	...	...	82
	Savings	...	...	...	...	83
2.6	Income	...	...	...	...	84

3. ECONOMIC AND SOCIAL INFRASTRUCTURE

3.1	Overview	...	...	...	...	87
3.2	Economic Infrastructure Policies, Institutional Framework and Performance	...	...	...	...	88
	Petroleum	...	...	...	...	88
	Electricity	...	...	...	...	92
	Road Development	...	...	...	...	95
	Road Passenger Transportation	...	...	...	...	97
	Rail Transportation	...	...	...	...	98
	Civil Aviation	...	...	...	...	100
	Port Services	...	...	...	...	101
	Communication Services	...	...	...	...	102
	Water Supply and Irrigation	...	...	...	...	104
3.3	Social Infrastructure Policies, Institutional Framework and Performance	...	...	...	...	105
	Health	...	...	...	...	105
	Education	...	...	...	...	109
	Housing and Urban Development	...	...	...	...	112
	Poverty Alleviation and Safety Nets	...	...	...	...	114
	Environment	...	...	...	...	115

4. PRICES, WAGES, EMPLOYMENT AND PRODUCTIVITY

4.1	Overview	...	...	...	...	117
4.2	Prices	...	...	...	...	118
	Movements of the General Price Level	...	...	...	...	118
	Consumer Price Indices	...	...	...	...	122
	National Consumer Price Index	...	...	...	...	122
	Colombo Consumer Price Index	...	...	...	...	122
	Headline Inflation	...	...	...	...	123
	Core Inflation	...	...	...	...	124
	Producer Price Inflation	...	...	...	...	125
	GDP Deflator	...	...	...	...	125
	Inflation Expectations	...	...	...	...	125
4.3	Wages	...	...	...	...	128
	Public Sector Wages	...	...	...	...	128
	Private Sector Wages	...	...	...	...	128
4.4	Population, Labour Force and Employment	...	...	...	...	130
	Population	...	...	...	...	130
	Labour Force	...	...	...	...	131
	Employment	...	...	...	...	132
	Unemployment	...	...	...	...	134
	Foreign Employment	...	...	...	...	135
	Labour Relations and Labour Market Reforms	...	...	...	...	137
	Labour Productivity	...	...	...	...	138

5. EXTERNAL SECTOR DEVELOPMENTS AND POLICIES

5.1	Overview	...	...	...	...	141
5.2	External Trade Policies, Developments and Institutional Support	...	...	...	...	145
5.3	Trade in Goods, Trade Balance, Terms of Trade and Direction of Trade	...	...	...	...	151
	Export Performance	...	...	...	...	151
	Import Performance	...	...	...	...	154
	Trade Balance	...	...	...	...	158
	Terms of Trade	...	...	...	...	158
	Direction of Trade	...	...	...	...	160
5.4	Current and Capital Account	...	...	...	...	162
	Trade in Services	...	...	...	...	162
	Transport Services	...	...	...	...	163
	Travel and Tourism	...	...	...	...	163
	Telecommunications, Computer and Information Services	...	...	...	...	166
	Primary Income	...	...	...	...	167
	Secondary Income	...	...	...	...	167
5.5	Current Account Balance	...	...	...	...	171
5.6	Capital Account Balance	...	...	...	...	172

5.7	Financial Account	...	...	...	...	172
	Direct Investment	...	...	...	...	173
	Portfolio Investment	...	...	...	...	174
	Equity	...	...	...	...	174
	Debt Securities	...	...	...	...	174
	Other Investment	...	...	...	...	174
	Currency and Deposits	...	...	...	...	174
	Loans	...	...	...	...	175
	Trade Credit and Advances and Other Accounts Receivable/Payable	...	...	...	...	176
	Reserve Assets	...	...	...	...	176
5.8	Overall Balance	...	...	...	...	177
5.9	International Investment Position	...	...	...	...	177
	Direct Investment Position	...	...	...	...	178
	Portfolio Investment Position	...	...	...	...	178
	Other Investment Position	...	...	...	...	179
	Currency and Deposits	...	...	...	...	179
	Loans	...	...	...	...	179
	Trade Credit and Advances	...	...	...	...	179
	Other Accounts Receivable/Payable and Special Drawing Rights	...	...	...	...	179
	Reserve Asset Position	...	...	...	...	180
5.10	External Debt and Debt Servicing	...	...	...	...	181
	External Debt	...	...	...	...	181
	Foreign Debt Service Payments	...	...	...	...	182
5.11	Exchange Rate Movements	...	...	...	...	183
	Nominal and Real Effective Exchange Rates	...	...	...	...	184
	Developments in the Domestic Foreign Exchange Market	...	...	...	...	186
5.12	External Sector Outlook	...	...	...	...	187

6. FISCAL POLICY AND GOVERNMENT FINANCE

6.1	Overview	...	...	...	...	189
6.2	Fiscal Policy Direction and Measures	...	...	...	...	190
6.3	Government Budgetary Operations	...	...	...	...	203
	Revenue and Grants	...	...	...	...	203
	Revenue	...	...	...	...	203
	Grants	...	...	...	...	206
	Expenditure and Net Lending	...	...	...	...	206
	Key Fiscal Balances	...	...	...	...	210
	Financing of the Budget Deficit	...	...	...	...	210
6.4	Government Debt and Debt Service Payments	...	...	...	...	212
	Central Government Debt	...	...	...	...	212
	Central Government Debt Service Payments	...	...	...	...	215
	Outstanding Public Debt	...	...	...	...	216
6.5	Budgetary Operations in Sub National Governments	...	...	...	...	217
	Policy Direction and Measures taken by Sub National Governments	...	...	...	...	217
	Budgetary Operations in Provincial Councils	...	...	...	...	218

7. MONETARY POLICY, INTEREST RATES, MONEY AND CREDIT

7.1	Overview	...	...	...	...	221
7.2	Monetary Policy Stance of the Central Bank of Sri Lanka	...	...	...	...	222
7.3	Movements of Interest Rates	...	...	...	...	228
	Market Liquidity and Short Term Interest Rates	...	...	...	...	228
	Yields on Government Securities	...	...	...	...	229
	Deposit and Lending Interest Rates	...	...	...	...	231
	Interest Rates on Debt Instruments	...	...	...	...	232
	Interest Rates on Foreign Currency Deposits	...	...	...	...	232
7.4	Movements of Monetary and Credit Aggregates	...	...	...	...	233
	Reserve Money	...	...	...	...	233
	Narrow Money (M_1)	...	...	...	...	235
	Broad Money (M_{2b}) and Domestic Credit	...	...	...	...	235
	Broad Money (M_4)	...	...	...	...	240
7.5	Future Developments, Challenges and Outlook	...	...	...	...	242

8. FINANCIAL SECTOR PERFORMANCE AND SYSTEM STABILITY

8.1	Overview	...	...	...	...	249
8.2	Performance of the Banking Sector	...	...	...	...	251
	Business Expansian	...	...	...	...	251
	Risks in the Banking Sector	...	...	...	...	254
	Resources	...	...	...	...	257
	Supervisory and Regulatory Developments	...	...	...	...	258
8.3	Performance of Non-Bank Financial Institutions	...	...	...	...	265
	Licensed Finance Companies and Specialised Leasing Companies Sector	...	...	...	...	265
	Business Growth	...	...	...	...	266
	Risks in the LFCs and SLCs Sector	...	...	...	...	267
	Profitability and Capital Resources	...	...	...	...	268
	Supervisory and Regulatory Developments	...	...	...	...	270
	Primary Dealers in Government Securities	...	...	...	...	270
	Assets and Liabilities	...	...	...	...	271
	Exposure to Risks	...	...	...	...	271
	Market Participation	...	...	...	...	272
	Unit Trusts	...	...	...	...	272
	Business Growth	...	...	...	...	272
	Investment	...	...	...	...	272
	Insurance Sector	...	...	...	...	273
	Business Growth	...	...	...	...	273
	Earnings	...	...	...	...	274
	Capital and Investment	...	...	...	...	274
	Supervisory and Regulatory Developments	...	...	...	...	275
	Superannuation Funds	...	...	...	...	275
	Employees' Provident Fund	...	...	...	...	275
	Employees' Trust Fund	...	...	...	...	277
	Other Superannuation Funds	...	...	...	...	278
8.4	Performance of Financial Markets	...	...	...	...	278
	Money Market	...	...	...	...	278
	Market Liquidity	...	...	...	...	279
	Domestic Foreign Exchange Market	...	...	...	...	280
	Government Securities Market	...	...	...	...	281
	Corporate Debt Securities Market	...	...	...	...	283
	Equity Market	...	...	...	...	283
8.5	Development Finance and Access to Finance	...	...	...	...	285
8.6	Financial Infrastructure	...	...	...	...	287
	Payment and Settlement Systems	...	...	...	...	287
	Anti-Money Laundering and Countering the Financing of Terrorism	...	...	...	...	293
	Compliance Monitoring and Legislative Developments	...	...	...	...	293
	Listing by Financial Action Task Force and Progress made towards Improving Sri Lanka's AML/CFT Compliance	...	...	...	...	296
	Legal Reforms related to the Financial Sector	...	...	...	...	297
	Resolution and Enforcement Action on Weak Financial Institutions	...	...	...	...	297
	Credit Information	...	...	...	...	298

STATISTICAL APPENDIX**SPECIAL STATISTICAL APPENDIX**

PART I - TABLES

							Page
1. ECONOMIC, PRICE AND FINANCIAL SYSTEM STABILITY, OUTLOOK AND POLICIES							
1.1	Macroeconomic Performance (2014-2018)	...	...	...	...	...	4
1.2	Aggregate Demand and Savings-Investment Gap at Current Market Prices	...	...	...	...	...	7
1.3	Gross National Income by Industrial Origin at Constant (2010) Prices	...	...	...	...	...	9
1.4	Global Economic Developments and Outlook	...	...	...	...	...	22
1.5	Medium Term Macroeconomic Framework	...	...	...	...	...	25
2. NATIONAL OUTPUT, EXPENDITURE AND INCOME							
2.1	Gross Domestic Product by Industrial Origin at Constant (2010) Prices	...	...	...	...	...	49
2.2	Gross Value Added by Institutional Sector at Current Market Prices	...	...	...	...	...	51
2.3	Agriculture Production Index (2007-2010=100)	...	...	...	...	...	52
2.4	Paddy Sector Statistics	...	...	...	...	...	52
2.5	Trends in Principal Agricultural Crops	...	...	...	...	...	55
2.6	Fish Production	...	...	...	...	...	58
2.7	Livestock Sector Statistics	...	...	...	...	...	59
2.8	Food Balance Sheet of Major Food Commodities	...	...	...	...	...	60
2.9	Index of Industrial Production (IIP) 2015=100	...	...	...	...	...	68
2.10	Aggregate Demand	...	...	...	...	...	78
2.11	Composition of Private Consumption Expenditure at Current Market Prices	...	...	...	...	...	80
2.12	Investment and Employment in Enterprises Registered under Board of Investment of Sri Lanka (BOI) and Ministry of Industry and Commerce (MIC)	...	...	...	...	...	82
2.13	Total Resources and Their Uses at Current Market Prices	...	...	...	...	...	82
2.14	Consumption, Investment and Savings at Current Market Prices	...	...	...	...	...	83
2.15	Income Components by Institutional Sector at Current Market Prices	...	...	...	...	...	85
3. ECONOMIC AND SOCIAL INFRASTRUCTURE							
3.1	Government Investment in Infrastructure	...	...	...	...	...	88
3.2	Petroleum Sector Performance	...	...	...	...	...	91
3.3	Electricity Sector Performance	...	...	...	...	...	93
3.4	Salient Features of the Transport Sector	...	...	...	...	...	99
3.5	Performance of Port Services	...	...	...	...	...	101
3.6	Telecommunication Sector Performance	...	...	...	...	...	103
3.7	Water Supply by National Water Supply & Drainage Board	...	...	...	...	...	105
3.8	Salient Features of Health Services	...	...	...	...	...	106
3.9	Salient Features of General Education	...	...	...	...	...	110
3.10	Salient Features of University Education	...	...	...	...	...	111
3.11	Salient Features of Tertiary and Vocational Education and Training (TVET)	...	...	...	...	...	112
3.12	Poverty Headcount Ratio	...	...	...	...	...	114
3.13	Main Welfare Programmes - Number of Beneficiary Families and Value of Grants	...	...	...	...	...	115
4. PRICES, WAGES, EMPLOYMENT AND PRODUCTIVITY							
4.1	Revisions to Special Commodity Levy in Selected Food Items	...	...	...	...	...	118
4.2	Retail Prices of Key Domestically Produced and Imported Items	...	...	...	...	...	120
4.3	Changes in Price Indices	...	...	...	...	...	122
4.4	Sectoral Deflators and GDP Deflator	...	...	...	...	...	125
4.5	Wage Rate Indices	...	...	...	...	...	129

							Page
4.6	District-wise Population and Density	...	...	...	...	...	130
4.7	Household Population, Labour Force and Labour Force Participation	...	...	...	...	...	132
4.8	Employment by Economic Activity	...	...	...	...	...	133
4.9	Public Sector Employment	...	...	...	...	...	134
4.10	Unemployment Rate	...	...	...	...	...	134
4.11	Departures for Foreign Employment	...	...	...	...	...	136
4.12	Foreign Employment Departures by Destination	...	...	...	...	...	136
4.13	Strikes in Private Sector Industries	...	...	...	...	...	137
4.14	Labour Productivity by Major Economic Sectors	...	...	...	...	...	138
5. EXTERNAL SECTOR DEVELOPMENTS AND POLICIES							
5.1	Balance of Payments Analytical Presentation	...	...	...	...	...	142
5.2	Exports under Preferential Trade Agreements of Sri Lanka	...	...	...	...	...	146
5.3	Composition of Exports	...	...	...	...	...	152
5.4	Composition of Imports	...	...	...	...	...	155
5.5	Volume of Major Imports	...	...	...	...	...	156
5.6	Major Policy Measures Taken to Curtail Vehicle Imports	...	...	...	...	...	157
5.7	Trade Indices	...	...	...	...	...	159
5.8	Current and Capital Account	...	...	...	...	...	162
5.9	Performance in the Tourism Sector	...	...	...	...	...	165
5.10.A	Financial Account	...	...	...	...	...	172
5.10.B	Financial Account	...	...	...	...	...	175
5.11	Major Projects Financed with Foreign Borrowings during 2018	...	...	...	...	...	176
5.12	International Investment Position	...	...	...	...	...	177
5.13	Gross Official Reserves, Total Foreign Assets and Overall Balance	...	...	...	...	...	180
5.14	Outstanding External Debt Position	...	...	...	...	...	181
5.15	External Debt Service Payments	...	...	...	...	...	183
5.16	Exchange Rate Movements	...	...	...	...	...	184
6. FISCAL POLICY AND GOVERNMENT FINANCE							
6.1	Summary of Government Fiscal Operations	...	...	...	...	...	193
6.2	Economic Classification of Government Revenue	...	...	...	...	...	204
6.3	Economic Classification of Expenditure and Lending Minus Repayments	...	...	...	...	...	207
6.4	Functional Classification of Expenditure	...	...	...	...	...	208
6.5	Sources of Domestic Financing (Net)	...	...	...	...	...	211
6.6	Outstanding Central Government Debt (as at end year)	...	...	...	...	...	213
6.7	Central Government Debt Service Payments	...	...	...	...	...	215
6.8	Central Government Debt Indicators	...	...	...	...	...	216
6.9	Outstanding Public Debt (as at end year)	...	...	...	...	...	217
6.10	Budget Outturn for Provincial Councils	...	...	...	...	...	218
7. MONETARY POLICY, INTEREST RATES, MONEY AND CREDIT							
7.1	Recent Monetary Policy Measures	...	...	...	...	...	227
7.2	Selected Money Market Rates	...	...	...	...	...	229
7.3	Movements of Interest Rates	...	...	...	...	...	233
7.4	Developments in Monetary Aggregates	...	...	...	...	...	236
7.5	Assets Side of Reserve Money and Broad Money (M_{2b})	...	...	...	...	...	237
7.6	Classification of Outstanding Credit to the Private Sector Granted by Commercial Banks	...	...	...	...	...	239
7.7	Maturity Analysis of Outstanding Credit to the Private Sector by Commercial Banks	...	...	...	...	...	240
7.8	Assets Side of Broad Money (M_4)	...	...	...	...	...	241

8. FINANCIAL SECTOR PERFORMANCE AND SYSTEM STABILITY

8.1	Total Assets of the Financial System	...	...	...	...	250
8.2	Distribution of Banks, Bank Branches and Other Banking Outlets	...	...	...	...	251
8.3	Composition of Assets and Liabilities of the Banking Sector	...	...	...	...	253
8.4	Composition of Deposits of the Banking Sector	...	...	...	...	253
8.5	Sectorwise Composition of Loans and Advances of the Banking Industry	...	...	...	...	255
8.6	Composition of Liquid Assets of the Banking Sector	...	...	...	...	256
8.7	Profit of the Banking Sector	...	...	...	...	257
8.8	Composition of Regulatory Capital of the Banking Sector	...	...	...	...	258
8.9	Distribution of Branches of LFCs and SLCs Sector by Province	...	...	...	...	266
8.10	Composition of Assets and Liabilities of the LFCs and SLCs Sector	...	...	...	...	266
8.11	Composition of Deposits of the LFCs Sector	...	...	...	...	267
8.12	Composition of Income and Expenses of the LFCs and SLCs Sector	...	...	...	...	269
8.13	Composition of Regulatory Capital of the LFCs and SLCs Sector	...	...	...	...	270
8.14	Performance of Primary Dealer Companies	...	...	...	...	271
8.15	Performance of the UT Sector	...	...	...	...	273
8.16	Performance of the Insurance Sector	...	...	...	...	273
8.17	Five Year Performance Summary of EPF	...	...	...	...	275
8.18	Five Year Summary of Income Data of EPF	...	...	...	...	276
8.19	Performance of the EPF and the ETF	...	...	...	...	278
8.20	Money Market Transactions	...	...	...	...	279
8.21	Primary Market Treasury Bond Issuances	...	...	...	...	282
8.22	Primary Market Weighted Average Yield Rates of Treasury Bills	...	...	...	...	282
8.23	Yield Rates of Government Securities	...	...	...	...	282
8.24	Selected Indicators of Equity Market	...	...	...	...	284
8.25	Transactions through Payment Systems	...	...	...	...	288
8.26	Key Prudential Measures Recently taken by the Central Bank on Banks, LFCs and SLCs	...	...	...	...	299

PART I – FIGURES**1. ECONOMIC, PRICE AND FINANCIAL SYSTEM STABILITY, OUTLOOK AND POLICIES**

1.1	Activity-wise Contribution to GDP Growth	...	...	...	...	4
1.2	Savings, Investment and the Savings-Investment Gap (as a percentage of GDP)	...	...	...	...	7
1.3	Unemployment Rate	...	...	...	...	9
1.4	Headline Inflation (Year-on-Year)	...	...	...	...	10
1.5	Balance of Payments	...	...	...	...	11
1.6	Exchange Rate and the Central Bank Intervention in the Domestic Foreign Exchange Market	...	...	...	...	15
1.7	Summary of Fiscal Sector Performance (as a percentage of GDP)	...	...	...	...	16
1.8	Central Government Debt (as a percentage of GDP)	...	...	...	...	17
1.9	Standing Rate Corridor and Selected Market Interest Rates	...	...	...	...	18
1.10	Broad Money Growth and Contribution	...	...	...	...	20
1.11	Credit Granted by Commercial Banks to the Private Sector	...	...	...	...	20

2. NATIONAL OUTPUT, EXPENDITURE AND INCOME

2.1	Snapshot of National Output, Expenditure & Income - 2018	...	...	...	...	48
2.2	Annual GDP Growth Rate	...	...	...	...	49
2.3	Percentage Share of Gross Value Added (GVA) by Institutional Sectors in 2018 (at Current Market Prices)	...	...	...	...	50
2.4	Rice: Supply and Demand	...	...	...	...	53
2.5	Purchasing Managers' Index	...	...	...	...	67
2.6	Index of Industrial Production (IIP) (2015 = 100)	...	...	...	...	68
2.7	Contribution to Year-on-year Change by Major Divisions of IIP in 2018	...	...	...	...	69
2.8	Cement Availability	...	...	...	...	74

						Page
2.9	Private Consumption Expenditure (at Current Market Price)	...	...	...	...	79
2.10	Composition of Government Consumption Expenditure (at Current Market Price)	...	...	...	...	80
2.11	Foreign Direct Investment of BOI Enterprises (US\$ million)	...	...	...	...	81
2.12	The Economy in 2018 (at Current Market Prices)	...	...	...	...	83
2.13	Income Components of the Economy (at Current Market Prices)...	...	...	...	...	84
3. ECONOMIC AND SOCIAL INFRASTRUCTURE						
3.1	Petroleum Sector Snapshot -2018	...	...	...	...	89
3.2	Average Price of Crude Oil (Brent) in the International Market and the Crude Oil Import Price of the CPC	...	...	...	...	90
3.3	Electricity Generation Mix	...	...	...	...	92
3.4	Average Cost and Average Tariff of Electricity	...	...	...	...	94
3.5	New Registration of Motor Vehicles	...	...	...	...	98
3.6	Air Passenger and Air Cargo Handling	...	...	...	...	100
3.7	Container Handling, Transshipment Volume and Ship Arrivals	...	...	...	...	102
3.8	Telephone Penetration	...	...	...	...	103
3.9	Education and Health Snapshot - 2018	...	...	...	...	108
3.10	Government Expenditure on Health and Education	...	...	...	...	109
4. PRICES, WAGES, EMPLOYMENT AND PRODUCTIVITY						
4.1	Prices, Wages and Employment Snapshot - 2018	...	...	...	...	119
4.2	Administered Price Revisions in Key Non-food Items - 2018	...	...	...	...	121
4.3	Annual Average Contribution in NCPI and CCPI - 2018	...	...	...	...	123
4.4	Contribution to Year-on-Year Percentage Change in NCPI - 2018	...	...	...	...	123
4.5	Contribution to Year-on-Year Percentage Change in CCPI - 2018	...	...	...	...	124
4.6	Movements of Core Inflation (Year-on-Year Percentage Change)	...	...	...	...	124
4.7	Movements of Producer Price Inflation (Year-on-Year Percentage Change)	...	...	...	...	125
4.8	Annual Average Change in Real Wage Rate Indices	...	...	...	...	129
4.9	Mid-year Population - 2018	...	...	...	...	130
4.10	Labour Market Snapshot - 2018	...	...	...	...	131
4.11	Trends in Labour Force and Unemployment (2013 - 2018)	...	...	...	...	132
4.12	Status of Employment - 2018	...	...	...	...	132
4.13	Distribution of Employment Status by Gender - 2017	...	...	...	...	133
4.14	Unemployment Rate (%)	...	...	...	...	134
4.15	Departures for Foreign Employment by Skills	...	...	...	...	135
5. EXTERNAL SECTOR DEVELOPMENTS AND POLICIES						
5.1	External Sector Snapshot - 2018	...	...	...	...	143
5.2	Balance of Payments	...	...	...	...	144
5.3	Composition of Exports - 2018	...	...	...	...	151
5.4	Exports under EU GSP / GSP+ Scheme	...	...	...	...	151
5.5	Composition of Imports - 2018	...	...	...	...	154
5.6	Exports, Imports and Trade Deficit	...	...	...	...	158
5.7	Terms of Trade and Trade Indices	...	...	...	...	158
5.8	Exports by Destination	...	...	...	...	161
5.9	Imports by Origin	...	...	...	...	161
5.10	Tourist Arrivals by Country - 2018	...	...	...	...	164
5.11	Tourist Arrivals and Earnings from Tourism	...	...	...	...	164
5.12	Financial Account	...	...	...	...	172
5.13	Quarterly Gross Official Reserves and Total Foreign Assets	...	...	...	...	180
5.14	External Debt	...	...	...	...	181
5.15	Exchange Rate Movements	...	...	...	...	186
5.16	Quarterly Inter-Bank Forward Transaction Volumes	...	...	...	...	187

6. FISCAL POLICY AND GOVERNMENT FINANCE

6.1	Fiscal Sector Performance	...	...	...	...	191
6.2	Major Fiscal Indicators (as a percentage of GDP)	...	...	...	...	192
6.3	Composition of Government Revenue - 2018	...	...	...	...	203
6.4	Composition of Government Recurrent Expenditure - 2018	...	...	...	...	207
6.5	Total Expenditure by Function - 2018	...	...	...	...	209
6.6	Deficit Financing (Net) (as a percentage of GDP)	...	...	...	...	210
6.7	Sources of Bank Financing (Net)	...	...	...	...	211
6.8	Outstanding Central Government Debt	...	...	...	...	212
6.9	Composition of Outstanding Central Government Domestic Debt - 2018	...	...	...	...	213
6.10	Composition of Outstanding Central Government Foreign Debt - 2018	...	...	...	...	214
6.11	Currency Composition of Total Outstanding Central Government Debt - 2018	...	...	...	...	215
6.12	Central Government Debt Service Payments (as a percentage of GDP)	...	...	...	...	215

7. MONETARY POLICY, INTEREST RATES, MONEY AND CREDIT

7.1	Monetary Sector Developments	...	...	...	...	223
7.2	Contribution to Year-on-Year Headline Inflation (CCPI)	...	...	...	...	224
7.3	Contribution to Year-on-Year Headline Inflation (NCPI)	...	...	...	...	224
7.4	Movements in Year-on-Year Core Inflation	...	...	...	...	225
7.5	Standing Rate Corridor and Average Weighted Call Money Rate (AWCMR)	...	...	...	...	226
7.6	Rupee Liquidity in the Domestic Money Market and Liquidity Management	...	...	...	...	228
7.7	Primary Market Treasury Bill Yields	...	...	...	...	230
7.8	Secondary Market Yield Curve for Government Securities	...	...	...	...	230
7.9	Commercial Bank Lending and Deposit Rates	...	...	...	...	231
7.10	Average Weighted Lending Rates by Type of Security	...	...	...	...	232
7.11	Central Bank Treasury Bill Holdings and Provisional Advances to the Government	...	...	...	...	234
7.12	Year-on-Year Growth of Monetary Aggregates	...	...	...	...	235
7.13	Contribution to Year-on-Year Change in Broad Money - M_{2b} (Assets Side)	...	...	...	...	237
7.14	Annual Increase in Domestic Credit	...	...	...	...	238
7.15	Credit to the Private Sector by Commercial Banks	...	...	...	...	238
7.16	Year-on-Year Growth of Private Sector Credit to Key Sectors	...	...	...	...	239

8. FINANCIAL SECTOR PERFORMANCE AND SYSTEM STABILITY

8.1	Financial Sector Asset Composition and Selected Indicators	...	...	...	...	252
8.2	Off-balance Sheet Exposures of the Banking Sector (at end 2018)	...	...	...	...	254
8.3	Non Performing Loans of the Banking Sector	...	...	...	...	254
8.4	Provisioning for NPLs of the Banking Sector	...	...	...	...	255
8.5	Liquidity Ratios of the Banking Sector	...	...	...	...	256
8.6	Cumulative Maturity Gap as a percentage of Cumulative Liabilities of the Banking Sector	...	...	...	...	257
8.7	Profitability Indicators of the Banking Sector	...	...	...	...	257
8.8	Capital Adequacy of the Banking Sector	...	...	...	...	258
8.9	Total Loans and Advances (Gross) by productwise for LFCs and SLCs Sector	...	...	...	...	267
8.10	Non Performing Loans and Provision Coverage of the LFCs and SLCs Sector	...	...	...	...	268
8.11	Regulatory Liquid Assets of the LFCs and SLCs Sector	...	...	...	...	268
8.12	Profitability Indicators of the LFCs and SLCs Sector	...	...	...	...	269
8.13	Risk Weighted Assets and CAR of the LFCs and SLCs Sector	...	...	...	...	269
8.14	Categorisation of the UT Sector in terms of the Net Asset Value	...	...	...	...	272
8.15	Gross Written Premium of the Insurance Sector	...	...	...	...	274
8.16	Growth of the Investment Portfolio of EPF (in book value )	...	...	...	...	276
8.17	Composition of Investment Portfolio at 31 December 2018	...	...	...	...	276
8.18	Behaviour of Money Market in 2018	...	...	...	...	278
8.19	Daily Changes in Money Market Liquidity in 2018	...	...	...	...	279
8.20	ASPI, S&P SL20 Index & Daily Turnover at the Equity Market	...	...	...	...	283
8.21	Foreign Participation at the Equity Market	...	...	...	...	284

BOX ARTICLES

1.	The Impact of Frequent Large Revisions to National Accounts Estimates on Macroeconomic Indicators and Macroeconomic Policymaking	...	...	...	5
2.	The National Export Strategy (NES) 2018-2022	...	...	...	29
3.	Need for a Nationwide Contributory Pension Scheme amidst a Rapidly Ageing Population	...	...	...	38
4.	A Stronger Agriculture Quarantine Framework to Improve Resilience of the Agriculture Sector	...	...	...	63
5.	Compiling Property Price Indices: An Application to the Condominium Market in Sri Lanka	...	...	...	126
6.	Implementation of an International Transactions Reporting System (ITRS)	...	...	...	168
7.	Rebasing of the Real Effective Exchange Rate	...	...	...	185
8.	Maintaining a Sufficient Primary Surplus to ensure a Sustainable Debt Level over the Medium Term	...	...	...	200
9.	Choice of the inflation Target for Flexible Inflation Targeting (FIT) in Sri Lanka	...	...	...	243
10.	Stability and Sustainability of Banks by Strengthening the Regulatory Framework	...	...	...	259
11.	Evolution of the National Payment System of Sri Lanka	...	...	...	289
12.	Anti-Money Laundering and Countering the Financing of Terrorism Obligations for Designated Non-Finance Businesses & Professions in Sri Lanka	...	...	...	294
13.	Major Economic Policy Changes and Measures: 2018	...	...	...	301

STATISTICAL APPENDIX

Table

NATIONAL OUTPUT, EXPENDITURE AND INCOME

Gross National Income by Industrial Origin at Current Market Prices	...	...	...	1
Gross National Income by Industrial Origin at Constant (2010) Prices	...	...	...	2
Gross National Income by Industrial Origin	...	...	...	3
Provincial Gross Domestic Product by Industrial Origin (Current Market Prices) (2013-2017)	...	...	...	4
Resources and their Utilisation	...	...	...	5
Reconciliation of Key Aggregates at Current Market Prices	...	...	...	6
Gross Domestic Capital Formation at Current Market Prices	...	...	...	7
Composition of Private Consumption Expenditure at Current Market Prices	...	...	...	8
Expenditure on Gross National Income at Current Market Prices	...	...	...	9
Gross Domestic Expenditure and Availability of Resources at Current Market Prices	...	...	...	10
Investment and Savings at Current Market Prices	...	...	...	11
Real National Income	...	...	...	12
Income Components of Gross Domestic Product	...	...	...	13
Trends in Principal Agricultural Crops	...	...	...	14
Production of Tea, Rubber, Coconut and Other Export Agriculture Crops	...	...	...	15
Annual Rainfall and Rainy Days	...	...	...	16
District-wise Performance of the Paddy Sector	...	...	...	17
Paddy Production	...	...	...	18
Performance of Other Field Crops	...	...	...	19
Land Cultivated under the Mahaweli Development Programme	...	...	...	20
Statistics of the Sugar Sector	...	...	...	21
Statistics on the Forestry Sector	...	...	...	22
Investment Approvals in Industry by the Board of Investment (BOI) of Sri Lanka	...	...	...	23
Realised Investments in the BOI Enterprises	...	...	...	24
Foreign Direct Investment of BOI Enterprises by Sector	...	...	...	25
Capacity Utilisation in Factory Industry	...	...	...	26

Table

Employment in Selected State Owned Industrial Enterprises	...	...	...	...	27
Performance of Selected State Owned Industrial Enterprises	...	...	...	...	28
Regional Distribution of Industrial Enterprises	...	...	...	...	29
Major Divisions of Index of Industrial Production (IIP)	...	...	...	...	30
Index of Industrial Production (IIP)	...	...	...	...	31

ECONOMIC AND SOCIAL INFRASTRUCTURE

Performance of Telecommunications and Postal Services	...	...	...	...	32
Performance of the Energy Sector	...	...	...	...	33
Salient Features of the Transport Sector	...	...	...	...	34
Performance of the Port Services	...	...	...	...	35
Salient Features of Government Health Services	...	...	...	...	36
Salient Features of General and University Education	...	...	...	...	37

PRICES, WAGES, EMPLOYMENT AND PRODUCTIVITY

Movement of the National Consumer Price Index (2013=100)	...	...	...	...	38
Movement of the Colombo Consumer Price Index (2013=100)	...	...	...	...	39
Movement of the Colombo Consumer Price Index (2006/07=100)...	...	...	...	...	40
National Consumer Price Index (NCPI) (2013=100)	...	...	...	...	41
Colombo Consumer Price Index (CCPI) (2013=100)	...	...	...	...	42
Colombo Consumer Price Index (CCPI) (2006/07=100)	...	...	...	...	43
Producer's Price Index (2013 Q4=100)	...	...	...	...	44
Average Retail Prices of Selected Food Items by Province 2017-2018	...	...	...	...	45
Wholesale Prices of Selected Commodities	...	...	...	...	46
Wage Rate Indices (Government Employees) (2012=100)	...	...	...	...	47
Wage Rate Indices (Workers in Wages Boards Trades) (December 1978=100)	...	...	...	...	48
Wage Rate Indices (Informal Private Sector Employees) (2012=100)	...	...	...	...	49
Average Daily Wages in the Informal Sector	...	...	...	...	50
Average Daily Wages of Informal Sector by Province 2017-2018	...	...	...	...	51
Demography	...	...	...	...	52
Population by District	...	...	...	...	53
Labour Force Participation Rate	...	...	...	...	54
Status of Employment	...	...	...	...	55
Employment by Economic Activity	...	...	...	...	56
Labour Force Trends	...	...	...	...	57
Public Sector Employment	...	...	...	...	58
Foreign Employment	...	...	...	...	59
Employees' Provident Fund	...	...	...	...	60
Employees' Trust Fund	...	...	...	...	61
Strikes in Private Sector Industries	...	...	...	...	62

EXTERNAL SECTOR DEVELOPMENTS AND POLICIES

Central Bank Trade Indices – Value	...	...	...	...	63
Central Bank Trade Indices – Volume	...	...	...	...	64
Central Bank Trade Indices – Unit Value	...	...	...	...	65
Foreign Trade	...	...	...	...	66

Table

Composition of Exports	...	...	...	...	67
Export Performance based on Standard International Trade Classification (SITC)	...	...	...	...	68
Composition of Exports based on SITC	...	...	...	...	69
Tea Exports, Sales and Prices	...	...	...	...	70
Volume and Value of Tea Exports	...	...	...	...	71
Country Classification of Tea Exports	...	...	...	...	72
Rubber Exports and Prices	...	...	...	...	73
Major Rubber Export Destinations	...	...	...	...	74
Country Classification of Garment Exports	...	...	...	...	75
Export Volumes, Values and Prices of Major Coconut Products	...	...	...	...	76
Export Volumes and Values of Other Agricultural Products	...	...	...	...	77
Selected Industrial and Mineral Exports	...	...	...	...	78
Composition of Imports	...	...	...	...	79
Imports by Major Categories	...	...	...	...	80
Import Performance based on Standard International Trade Classification (SITC) ...	...	...	...	...	81
Composition of Imports based on SITC	...	...	...	...	82
Exports and Imports of Major Commodities	...	...	...	...	83
Direction of Trade - Exports	...	...	...	...	84
Direction of Trade - Imports	...	...	...	...	85
Performance in the Tourism Sector	...	...	...	...	86
Some Indicators of the Regional Distribution of Tourism	...	...	...	...	87
Balance of Payments - Standard Presentation under BPM6 Format	...	...	...	...	88
International Investment Position - Standard Presentation under BPM6 Format	...	...	...	...	89
Outstanding External Debt	...	...	...	...	90
Services and Income	...	...	...	...	91
Workers' Remittances	...	...	...	...	92
Foreign Direct Investments (FDI) Inflows Country-wise Breakdown	...	...	...	...	93
End of Period Exchange Rates	...	...	...	...	94
Average Exchange Rates of Major Currencies and Monthly Indices of Nominal Effective Exchange Rate (NEER) and Real Effective Exchange Rate (REER)	...	...	...	...	95
Interbank Market Transactions	...	...	...	...	96
Absorption and Supply of Foreign Exchange by the Central Bank	...	...	...	...	97

FISCAL POLICY AND GOVERNMENT FINANCE

Summary of Government Fiscal Operations	...	...	...	...	98
Government Revenue	...	...	...	...	99
Payments of the Government of Sri Lanka	...	...	...	...	100
Voted Expenditure of the Government of Sri Lanka - 2018	...	...	...	...	101
Voted Expenditure of the Government of Sri Lanka - 2019	...	...	...	...	102
Current Transfers to Public Corporations and Institutions	...	...	...	...	103
Capital Transfers to Public Corporations and Institutions	...	...	...	...	104
Acquisition of Financial Assets by Government (On Lending)	...	...	...	...	105
Financing of the Government Net Cash Deficit	...	...	...	...	106
Economic Classification of Government Revenue	...	...	...	...	107
Economic Classification of Government Expenditure and Lending Minus Repayments	...	...	...	...	108
Economic Classification of Government Fiscal Operations	...	...	...	...	109
Composition of Outstanding Central Government Debt	...	...	...	...	110
Ownership of Central Government Debt (as at end of the year)	...	...	...	...	111
Ownership of Treasury Bills	...	...	...	...	112
Ownership of Treasury Bonds	...	...	...	...	113

Table

Ownership of Rupee Loans	...	...	...	...	114
Ownership of Outstanding Foreign Debt	...	...	...	...	115
Foreign Loans – 2018	...	...	...	...	116
Net Receipts of Foreign Assistance	...	...	...	...	117
Outstanding Central Government Debt (as at end of the year)	...	...	...	...	118
Budget Outturn for Provincial Councils	...	...	...	...	119
Consolidated Budget	...	...	...	...	120

MONETARY POLICY, INTEREST RATES, MONEY AND CREDIT

Currency Issued by the Central Bank (by Denomination)	...	...	...	...	121
Monetary Aggregates – M_1 and M_2	...	...	...	...	122
Monetary Survey – M_2	...	...	...	...	123
Consolidated Monetary Survey – M_{2b}	...	...	...	...	124
Financial Survey – M_4	...	...	...	...	125
Monetary Aggregates - Summary	...	...	...	...	126
Reserve Position of Commercial Banks	...	...	...	...	127
Money Rates: The Central Bank and Commercial Banks	...	...	...	...	128
Money Rates: Savings and Long Term Credit Institutions	...	...	...	...	129
Yield Rates on Government Securities	...	...	...	...	130
Commercial Banks' Loans and Advances by Type of Security (End of Period)	...	...	...	...	131
Commercial Banks' Loans and Advances to the Private Sector	...	...	...	...	132

FINANCIAL SECTOR PERFORMANCE AND SYSTEM STABILITY

Assets and Liabilities of the Central Bank	...	...	...	...	133
Assets and Liabilities of Domestic Banking Units (DBUs) of Commercial Banks	...	...	...	...	134
Assets and Liabilities of Offshore Banking Units (OBUs) of Commercial Banks	...	...	...	...	135
Financial Soundness Indicators - Banking Industry	...	...	...	...	136
Financial Soundness Indicators - Licensed Commercial Banks (LCBs)	...	...	...	...	137
Financial Soundness Indicators - Licensed Specialised Banks (LSBs)	...	...	...	...	138
Assets and Liabilities of Non-Bank Financial Institutions	...	...	...	...	139
Financial Soundness Indicators - Licensed Finance Companies (LFCs) and Specialised Leasing Companies (SLCs) Sector	...	...	...	...	140
Financial Soundness Indicators - Licensed Finance Companies	...	...	...	...	141
Financial Soundness Indicators - Specialised Leasing Companies (SLCs)	...	...	...	...	142
Savings and Fixed Deposits of Deposit-Taking Institutions	...	...	...	...	143
Insurance Activities	...	...	...	...	144
Share Market Performance	...	...	...	...	145
Debentures Listed on the Colombo Stock Exchange (CSE) in 2018	...	...	...	...	146
Total Cultivation Loans Granted by the Lending Banks (Position as at 31 December 2018)	...	...	...	...	147
New Comprehensive Rural Credit Scheme – Loans Granted for Subsidiary Food Crops by the Lending Banks (Position as at 31 December 2018)	...	...	...	...	148
Operations of the Crop Insurance Programme – Paddy Sector (Position as at 31 December 2018)	...	...	...	...	149
Deposits and Advances of District Co-operative Rural Banks (2008 – 2018) and District-wise Classification for 2018	...	...	...	...	150
Deposits and Advances of District Co-operative Rural Banks' Unions (2010 – 2018) and District-wise Classification for 2018	...	...	...	...	151

SPECIAL STATISTICAL APPENDIX

Table

1. REAL SECTOR

Population and Labour Force	...	...	...	...	1
National Output	...	...	...	...	2
Prices	...	...	...	...	3

2. EXTERNAL SECTOR

Balance of Payments	...	...	...	...	4
Reserves, Total Foreign Assets, External Debt and Exchange Rates	...	...	...	...	5

3. FISCAL SECTOR

Government Fiscal Operations	...	...	...	...	6
Central Government Debt	...	...	...	...	7

4. MONETARY SECTOR

Monetary Survey (M_2)	...	...	...	...	8
Interest Rates	...	...	...	...	9

5. SOCIO-ECONOMIC CONDITIONS

Key Socio-economic Indicators in Sri Lanka Based on Consumer Finances and Socio-economic Surveys -1953 - 2003/04	...	...	...	...	10
Key Socio-economic Indicators by Province Based on Consumer Finances and Socio-economic Survey - 2003/04	...	...	...	...	11
Key Socio-economic Indicators by Province Based on Household Income and Expenditure Survey - 2016	...	...	...	...	12
Key Socio-economic Indicators by Sector Based on Household Income and Expenditure Survey 2009/10, 2012/13 & 2016	...	...	...	...	13

Definitions and Explanatory Notes on Statistical Tables

The following general notes supplement the footnotes given below the individual tables:

1. In an attempt to bring the material up-to-date, provisional figures are included in some tables.
2. Figures in some tables have been rounded off to the nearest final digit. Hence, there may be a slight discrepancy between the total as shown and the sum of its components.
3. Differences as compared with previously published figures are due to subsequent revisions.
4. Values indicated within parenthesis are negative values.
5. The following symbols have been used throughout:-

...	= negligible
-	= nil
n.a.	= not available
n.e.c.	= not elsewhere classified
n.e.s.	= not elsewhere specified
n.i.e.	= not included elsewhere

Volume II

	Page
PART II	
ACCOUNTS AND OPERATIONS OF THE CENTRAL BANK OF SRI LANKA	1-128
PART III	
ADMINISTRATIVE MEASURES ADOPTED BY THE GOVERNMENT AND THE MONETARY BOARD DURING THE YEAR RELATING TO THE FUNCTIONS AND OPERATIONS OF THE CENTRAL BANK AND BANKING INSTITUTIONS IN SRI LANKA	1-170
PART IV	
MAJOR LEGISLATIVE ENACTMENTS OF 2018 RELATING TO THE FUNCTIONS AND OPERATIONS OF THE CENTRAL BANK AND BANKING INSTITUTIONS IN SRI LANKA	1-3

