

The Sri Lankan Economy on a Steady Recovery Path



Economic Research Department
Central Bank of Sri Lanka

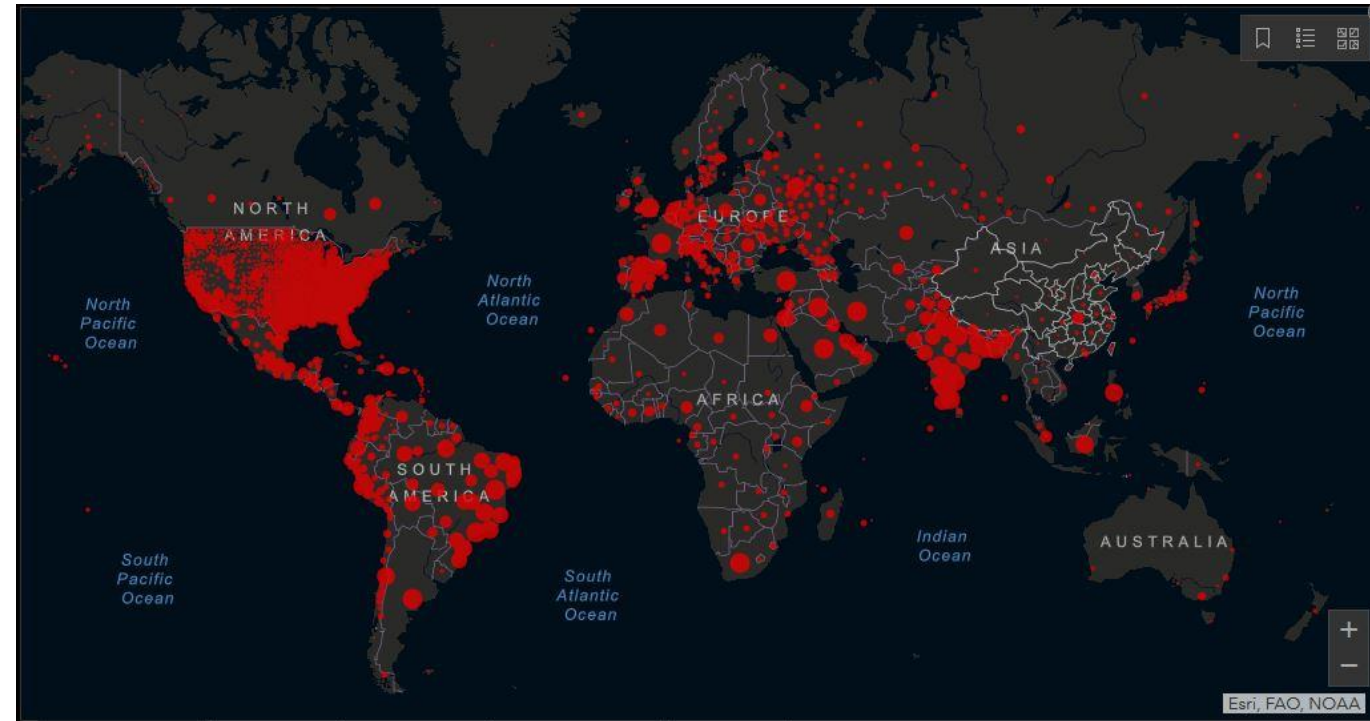
September 2020

**Having contained
the domestic spread of the COVID-19 pandemic,
SRI LANKA is on a steady recovery path
after the initial economic slowdown
during the islandwide lockdown
from mid-March to mid-May 2020...**

Sri Lanka has been one of the few success stories in combatting the spread of COVID-19...

	Global	Sri Lanka
Total Confirmed Cases	31,779,835	3,324
Deaths	975,104	13
Recovered	21,890,442	3,129
Active Cases	9,889,393	182

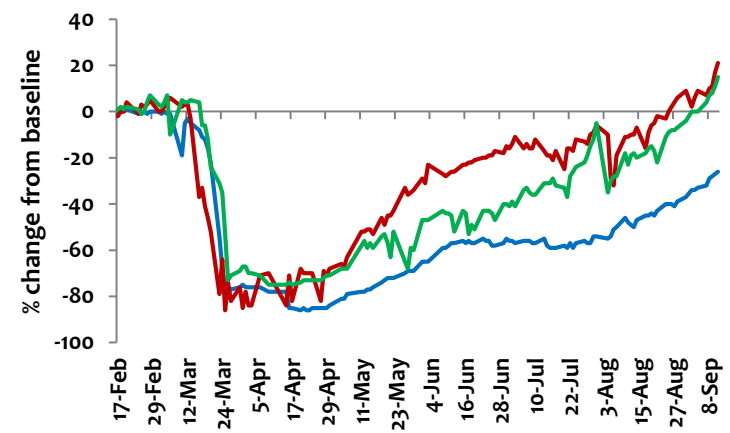
Source: Coronavirus (COVID-19) Sri Lanka - Analytics Dashboard, <https://covid.iq.lk/>; Epidemiology Unit (MOH)



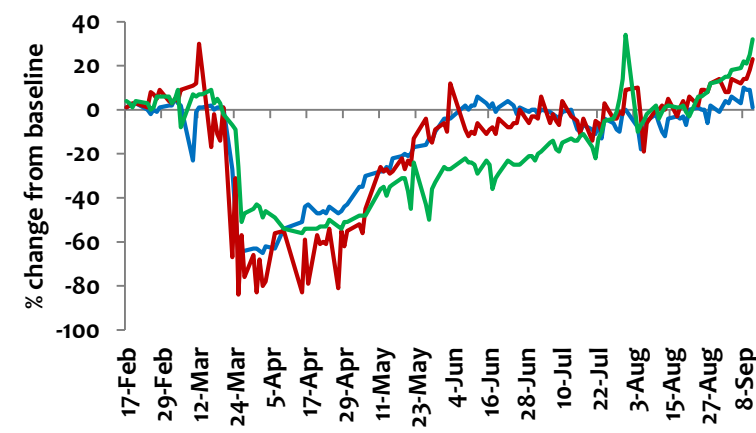
Source: Johns Hopkins University

People's movements have normalised ahead of neighbouring countries...

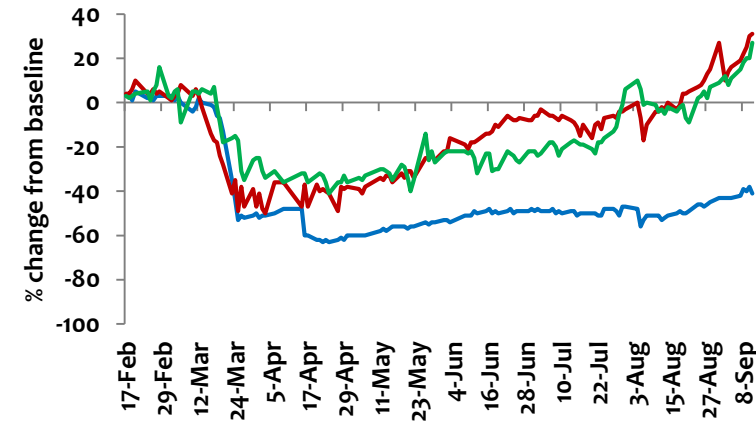
Retail and Recreation



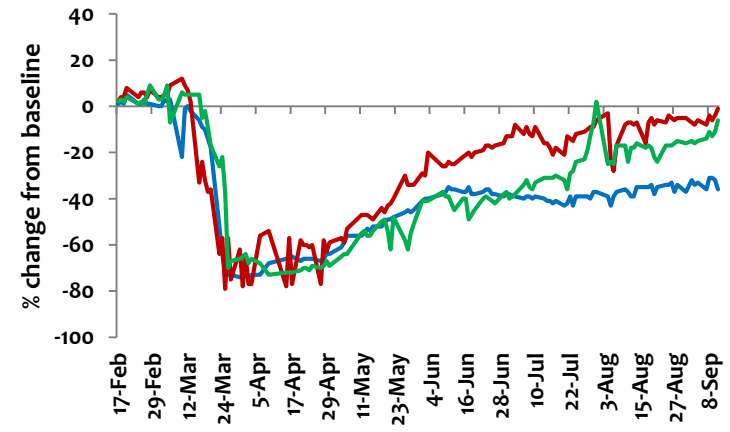
Grocery and Pharmacy



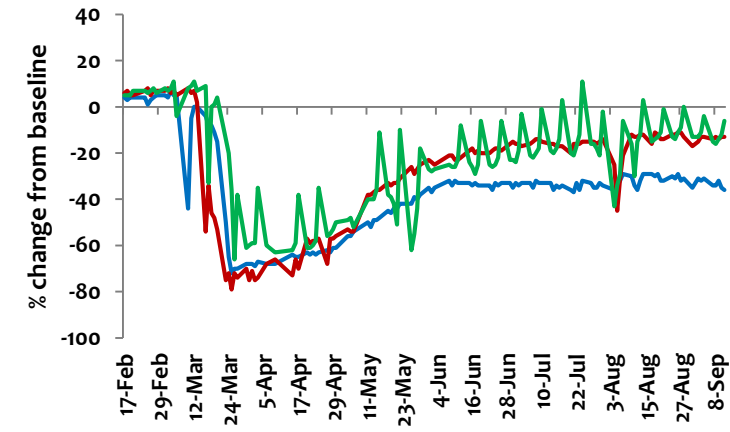
Parks



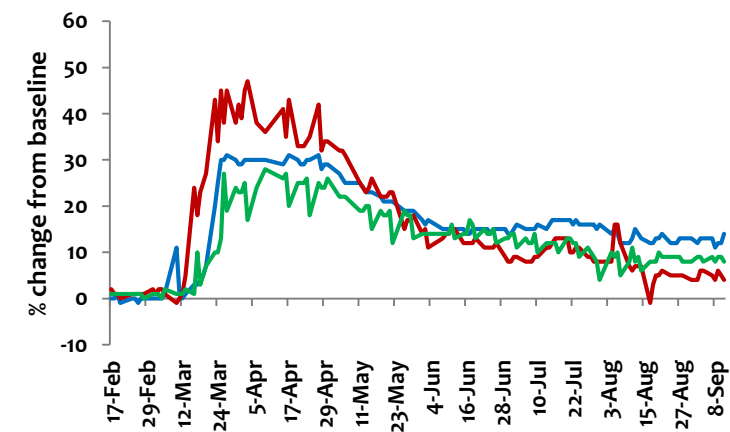
Public Transport



Workplaces



Residential



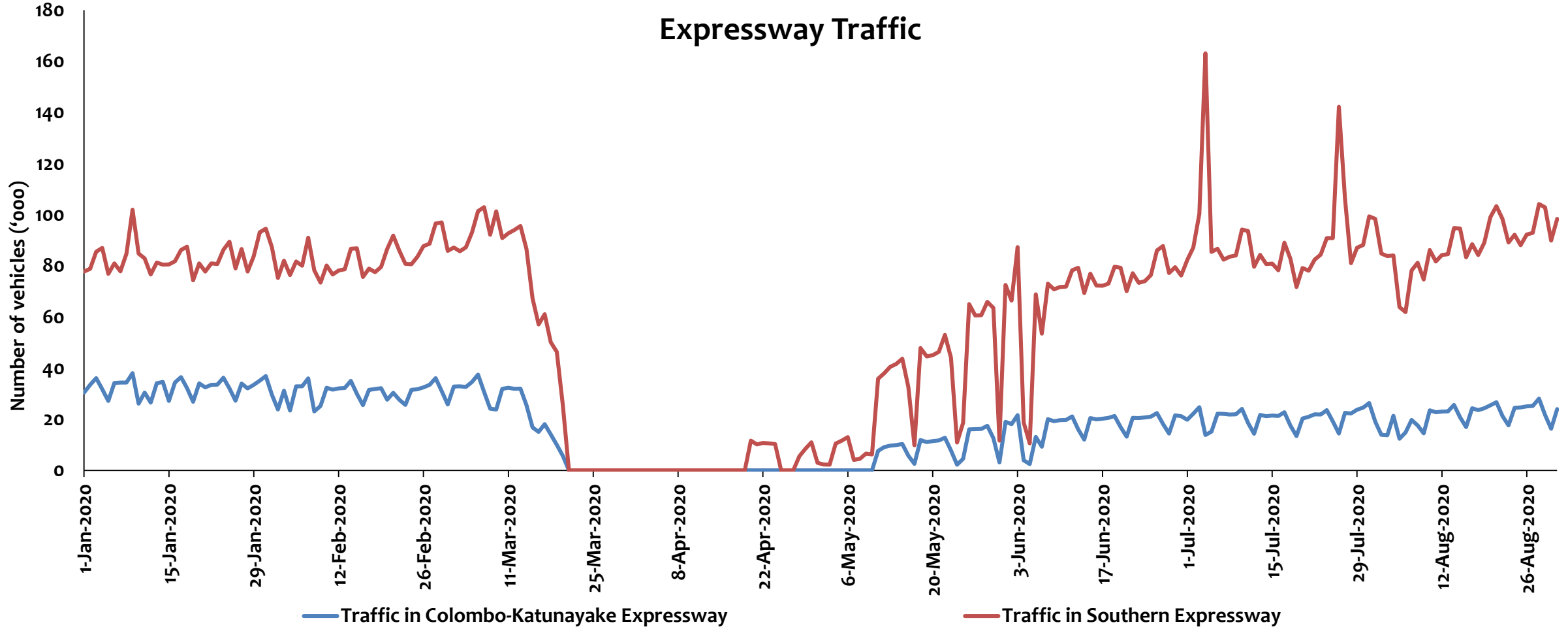
■ Sri Lanka ■ India ■ Bangladesh

Note: Excludes weekends and Sri Lankan Holidays

Source : Google Mobility Reports

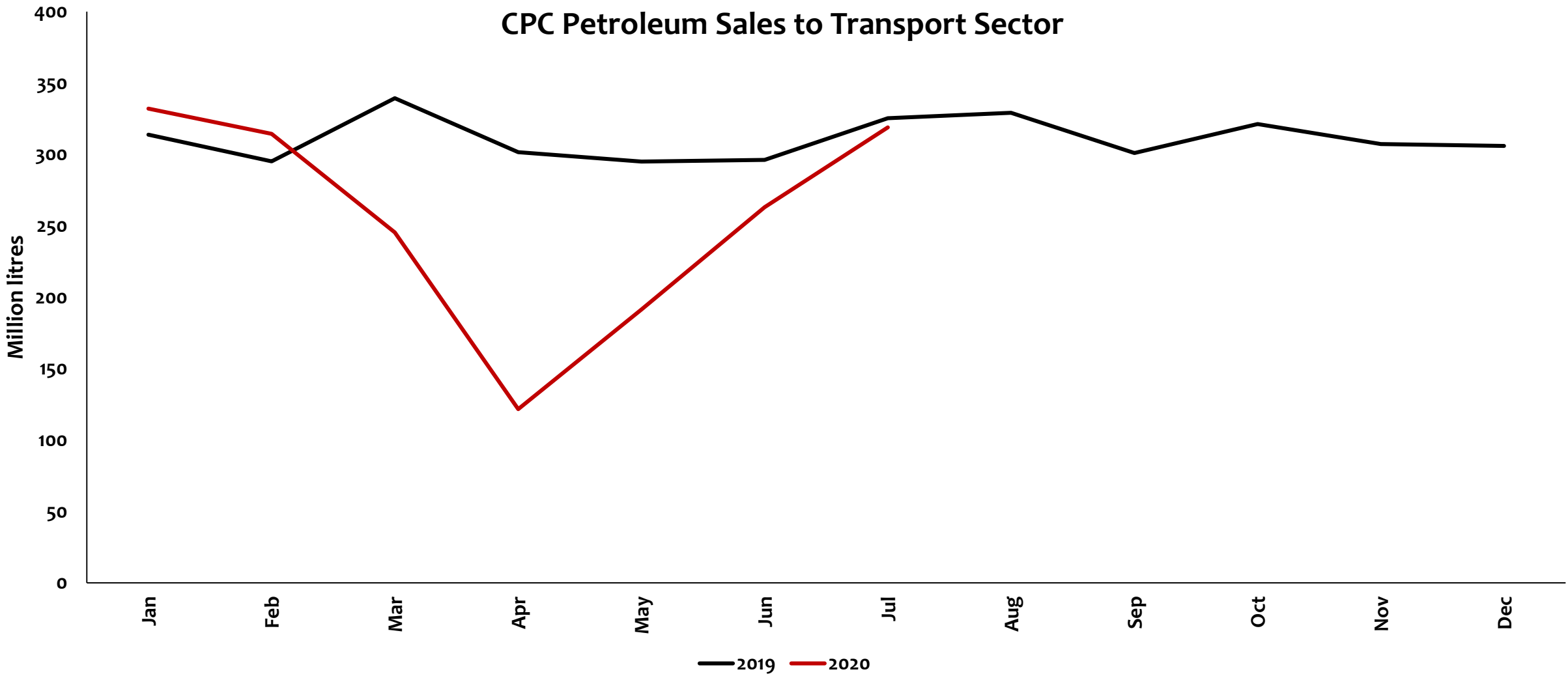


Usage of expressways, particularly the Southern Expressway has also increased above pre-lockdown levels...



Source : Road Development Authority

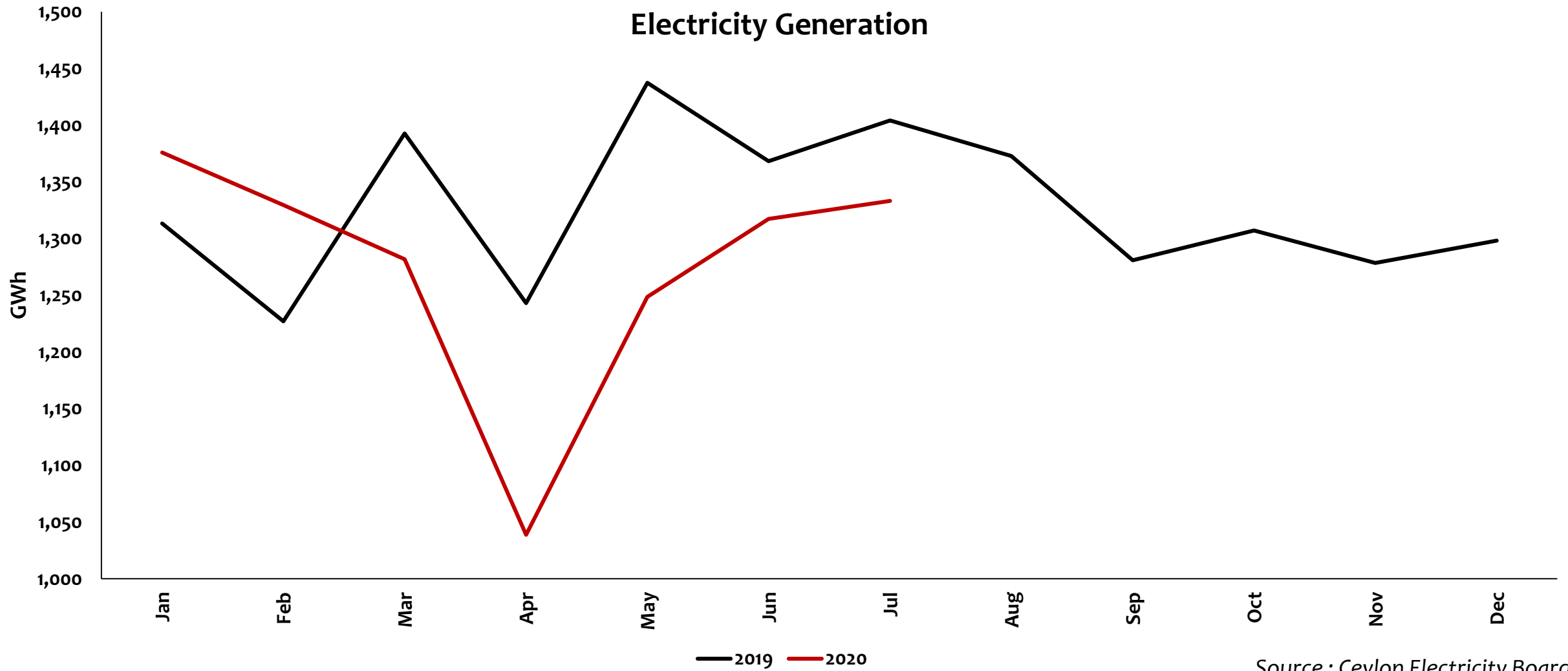
Petroleum sales to the transport sector have reached pre-COVID levels...



Source : Ceylon Petroleum Cooperation (CPC)

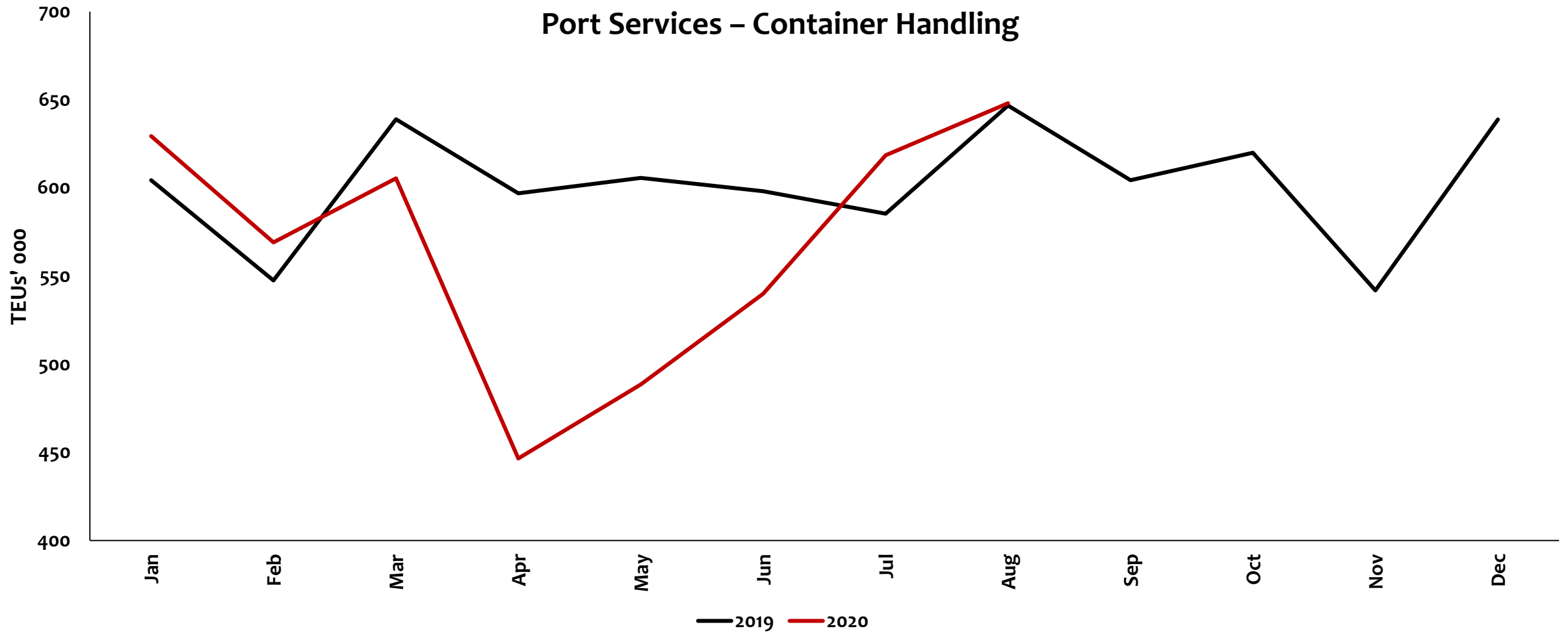


Electricity generation is steadily normalising, with greater reliance on hydropower generation...



Source : Ceylon Electricity Board

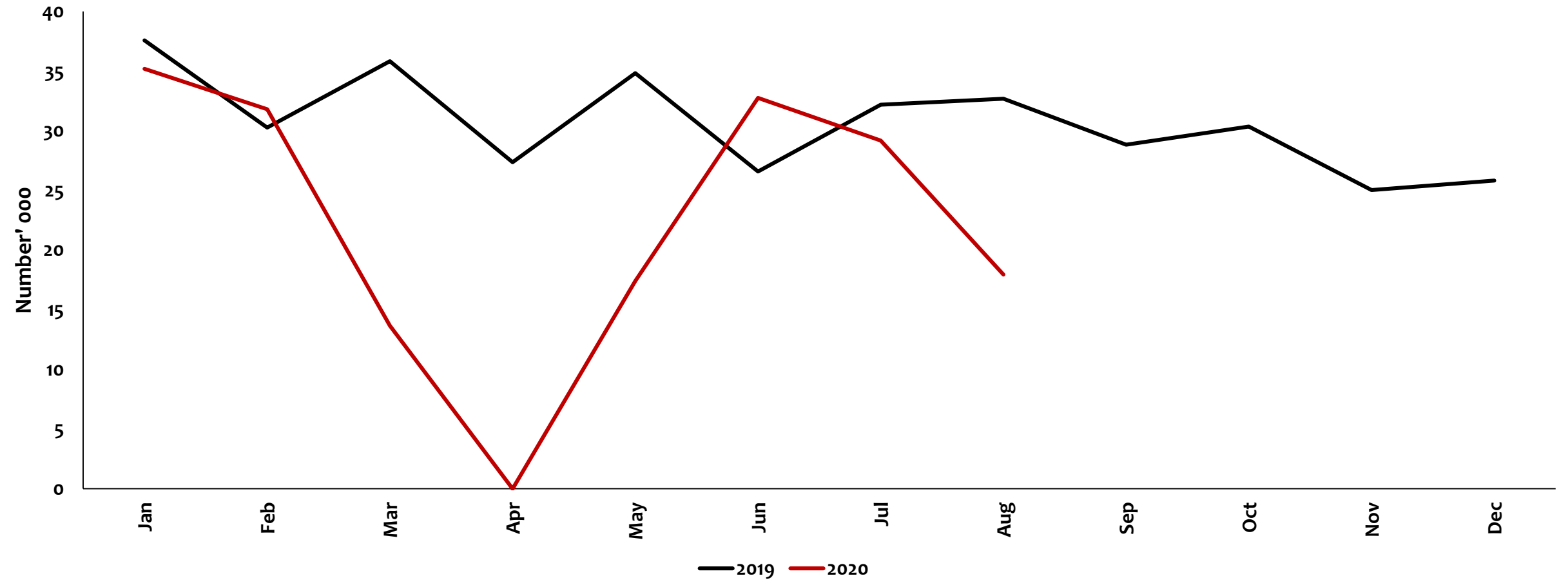
In spite of the slowdown in global trade, activity at the Colombo port has increased... ⁸



Source : Sri Lanka Ports Authority

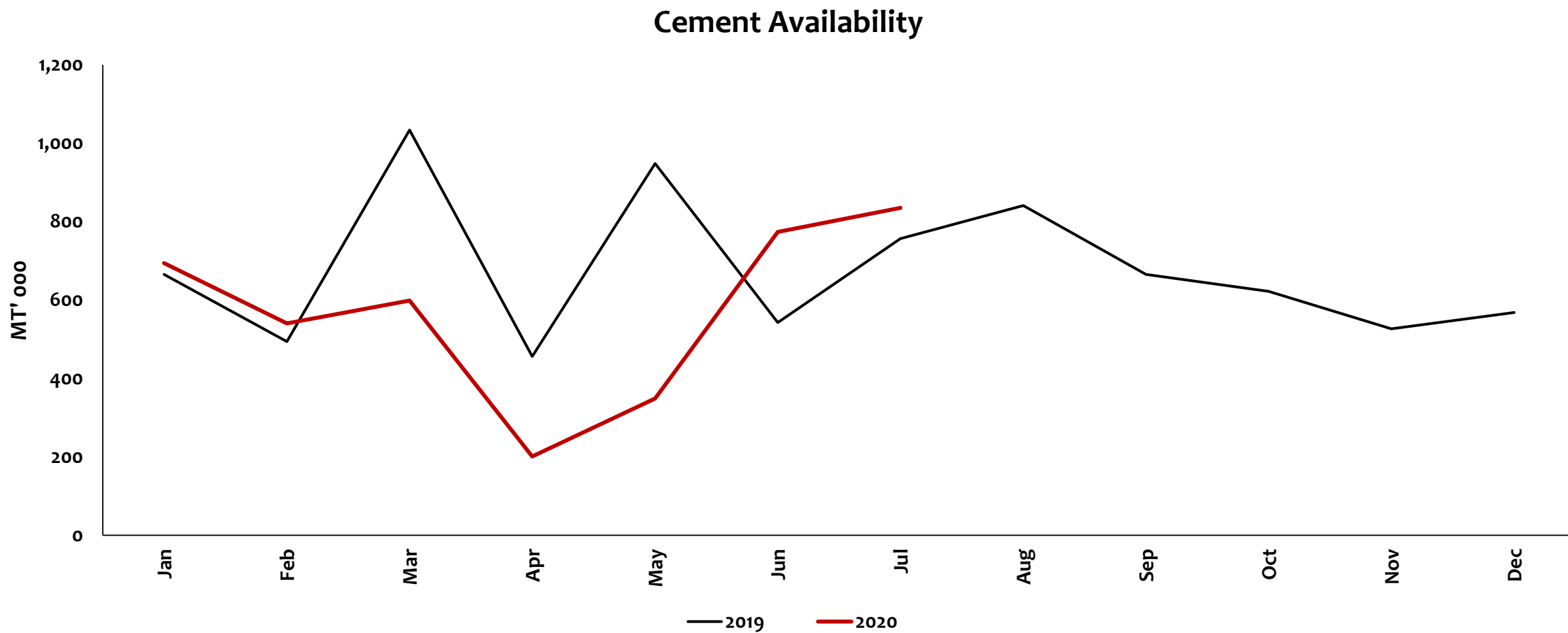
Even motor vehicle registrations hit previous year's levels, in spite of restrictions on new imports...

New Motor Vehicle Registrations



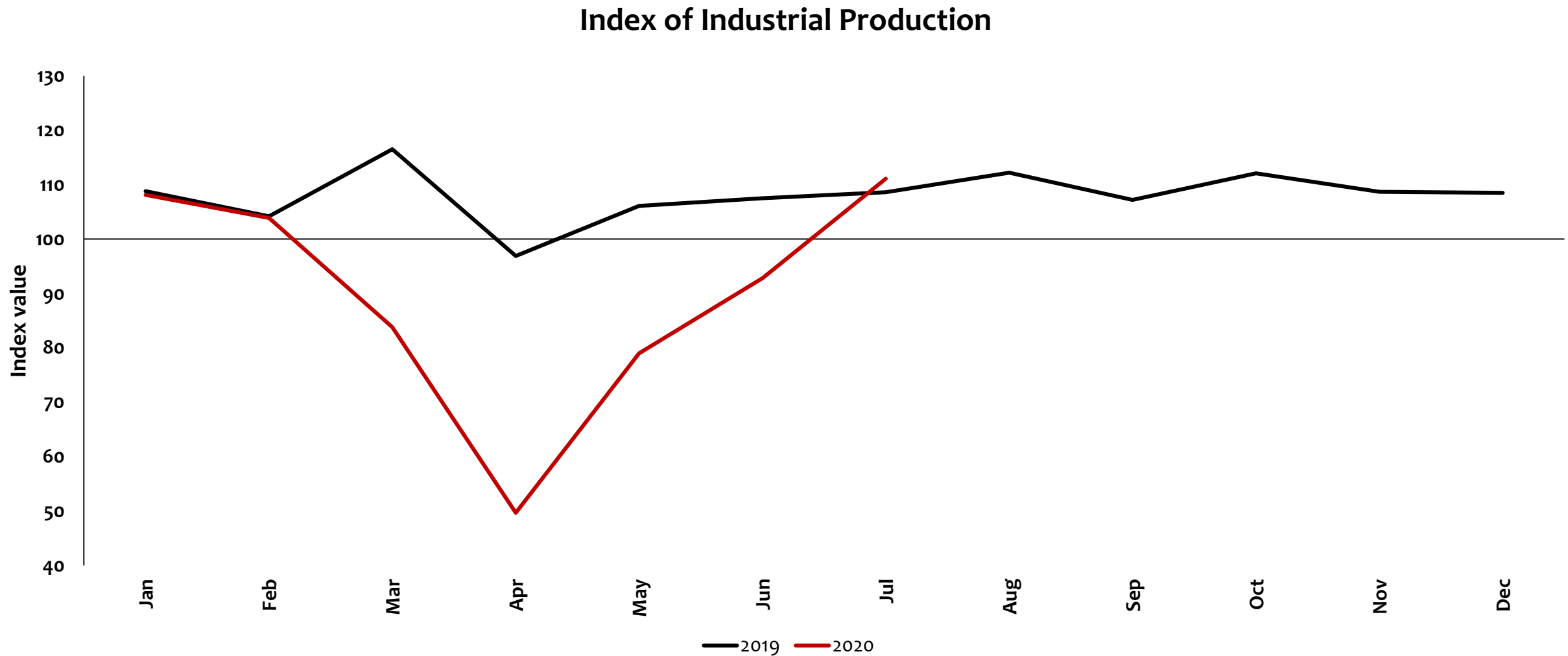
Source : Department of Motor Traffic

Construction sector has gradually gathered pace...



Source : Central Bank of Sri Lanka

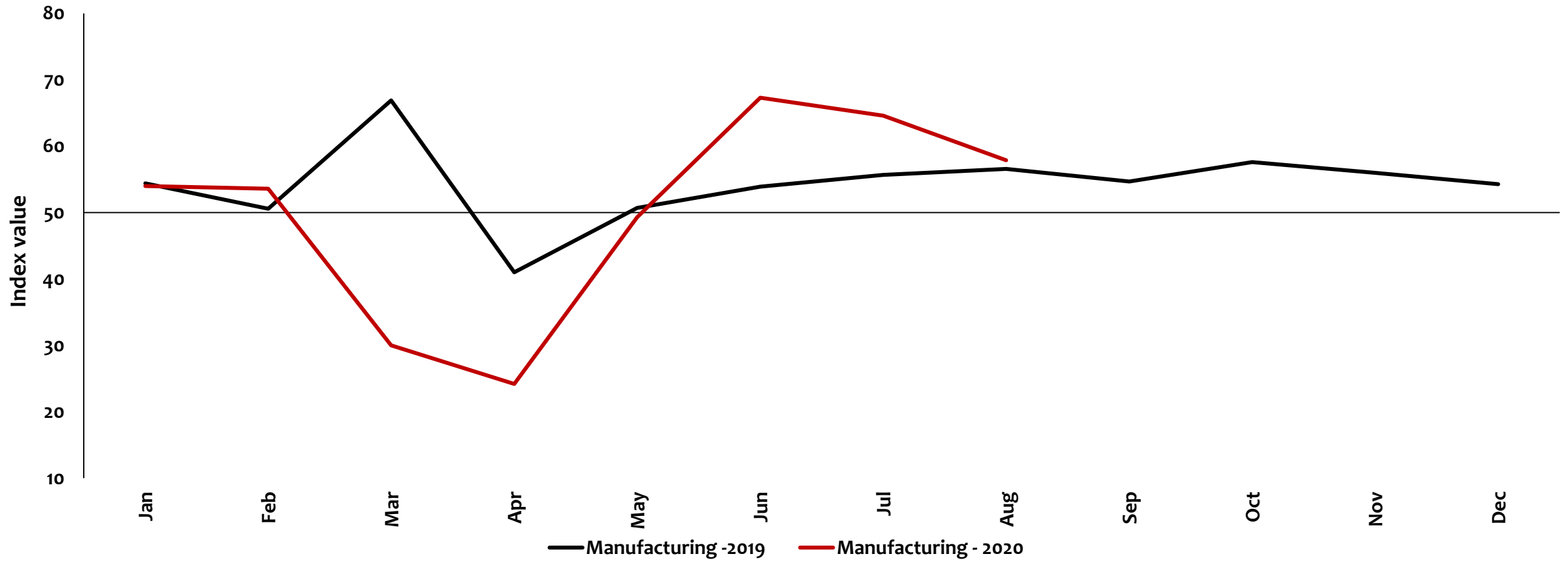
Industrial production has rebounded...



Source : Department of Census and Statistics

Purchasing managers indices display expansion in manufacturing activity...

Purchasing Managers Index for Manufacturing Activities

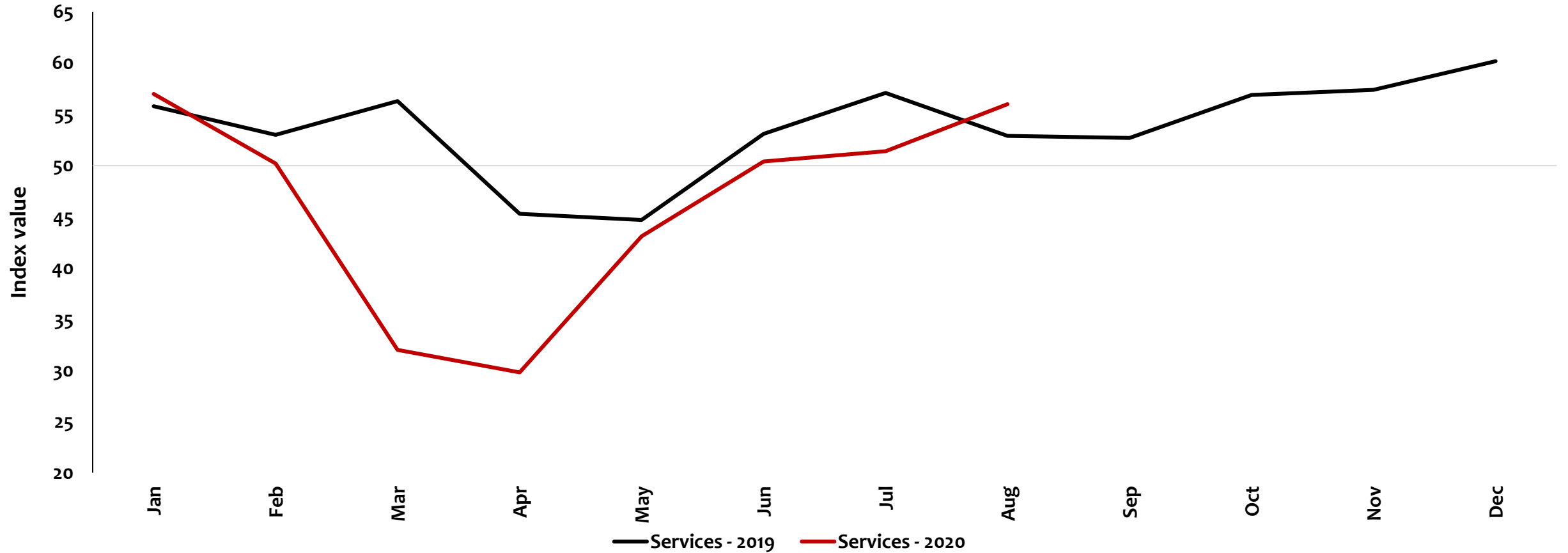


Source : Central Bank of Sri Lanka



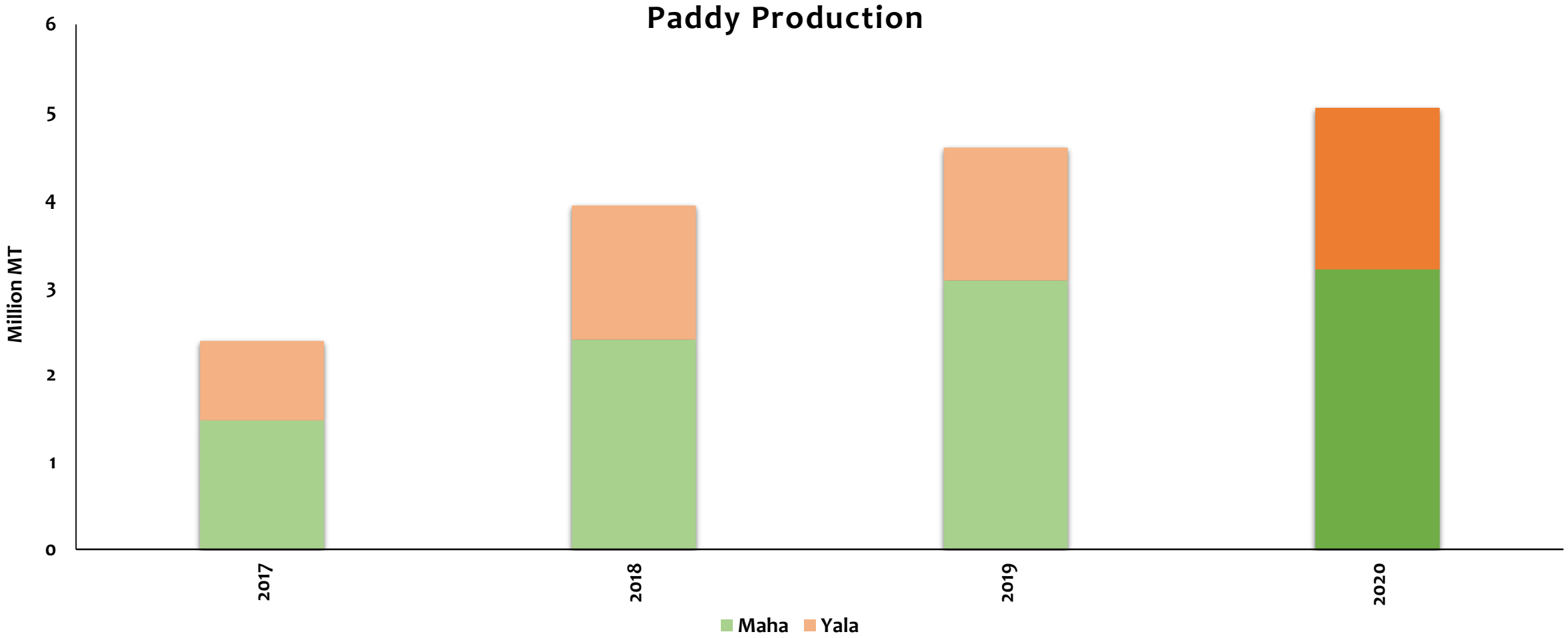
... as well as services...

Purchasing Managers Index for Services Activities

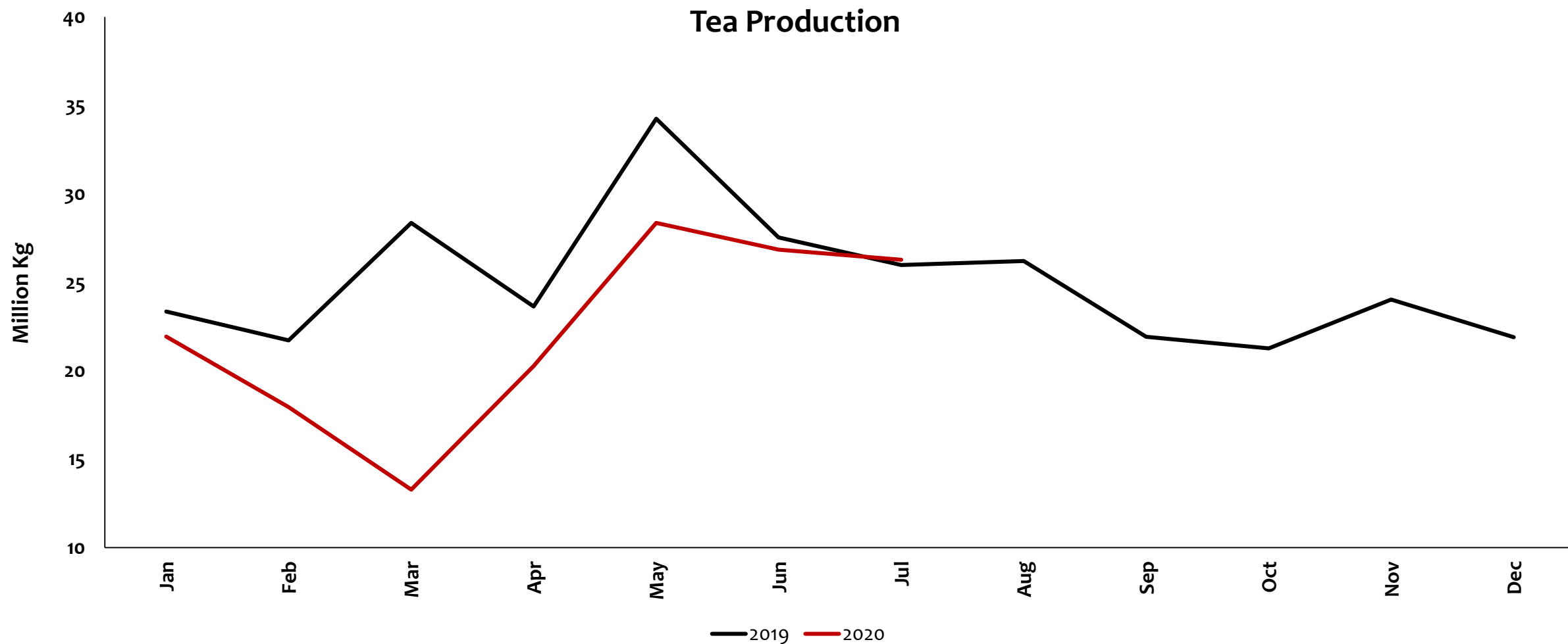


Source : Central Bank of Sri Lanka

Following a bumper Maha harvest, a bumper Yala production of paddy is expected...

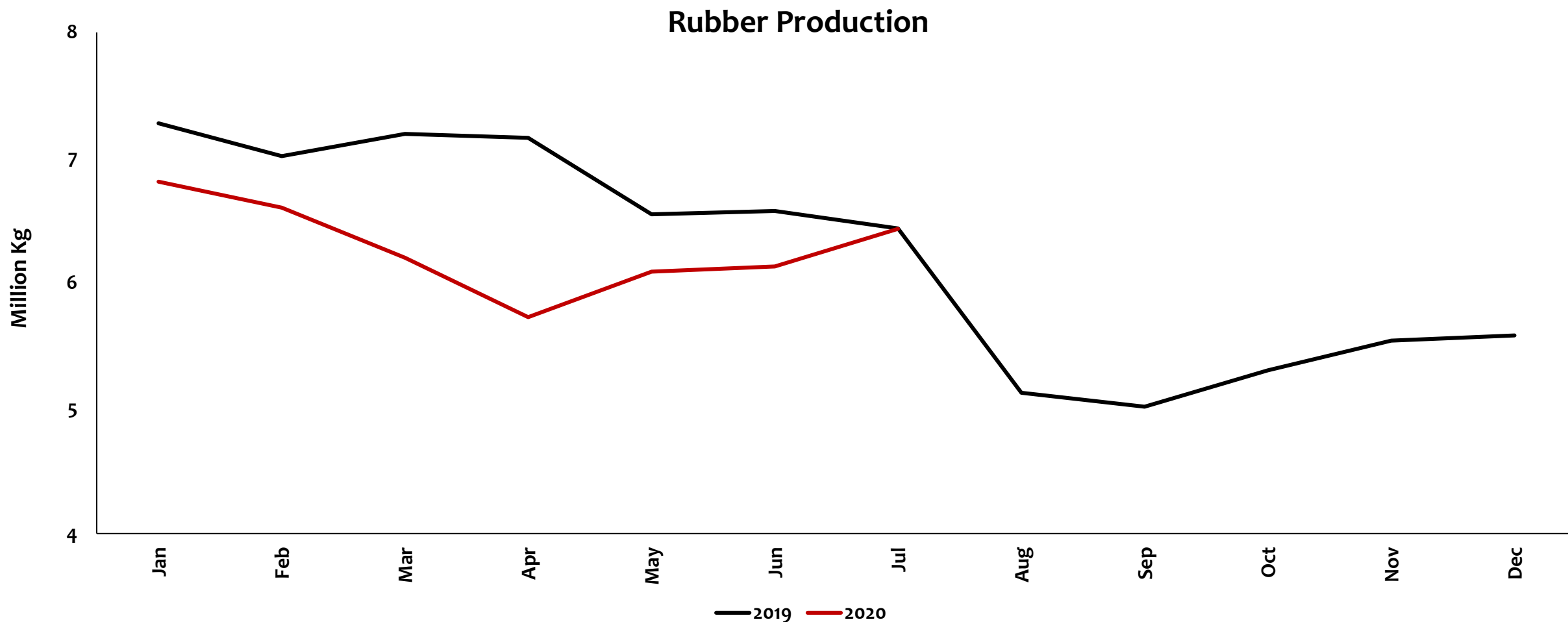


Tea production has returned to the levels observed last year...



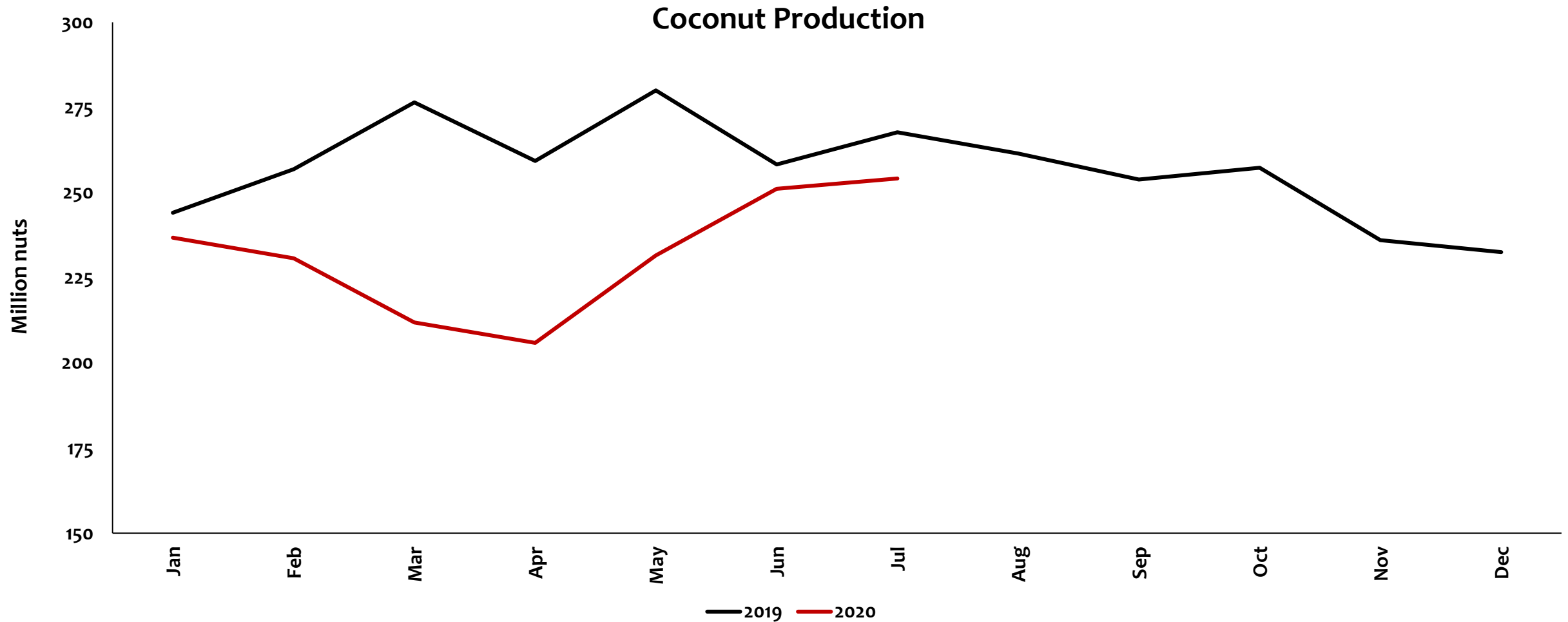
Source : Sri Lanka Tea Board

... so has rubber production...



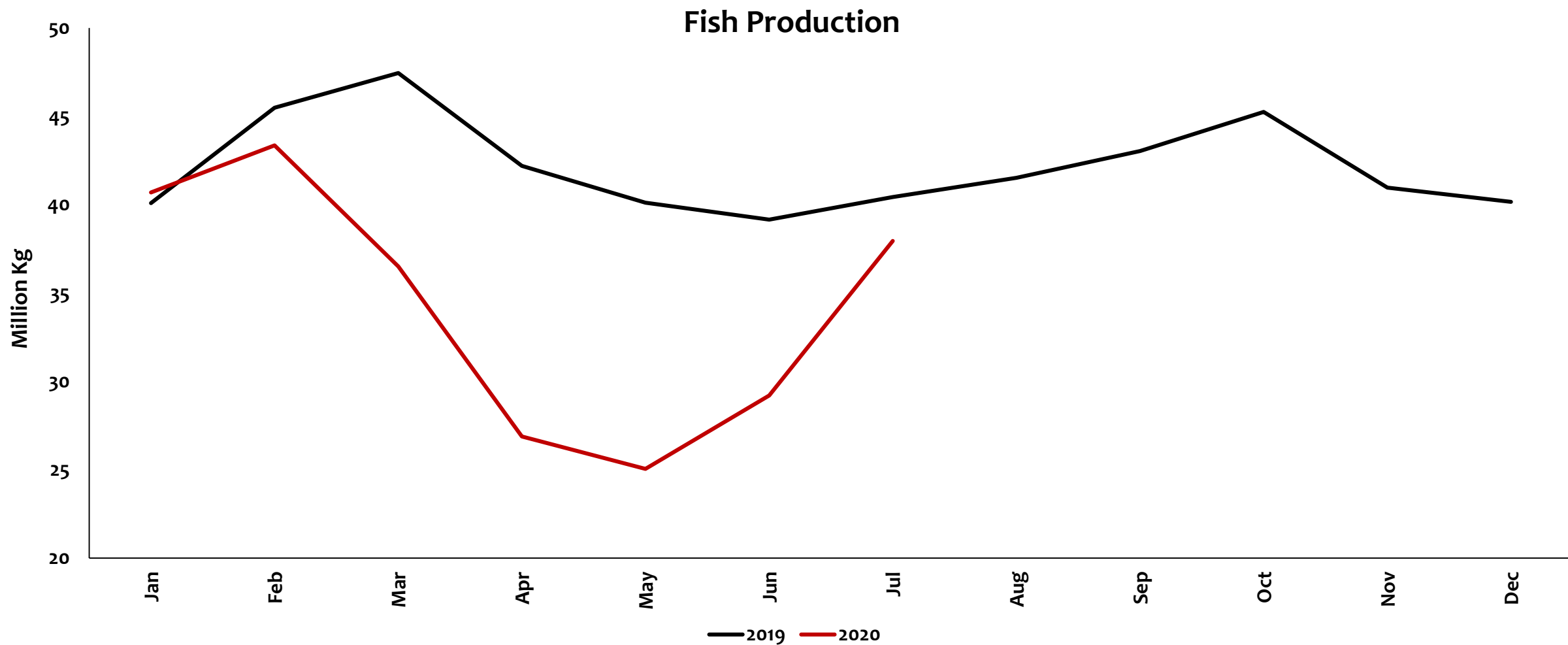
Source : Rubber Development Department

Coconut production has recovered to a great extent...



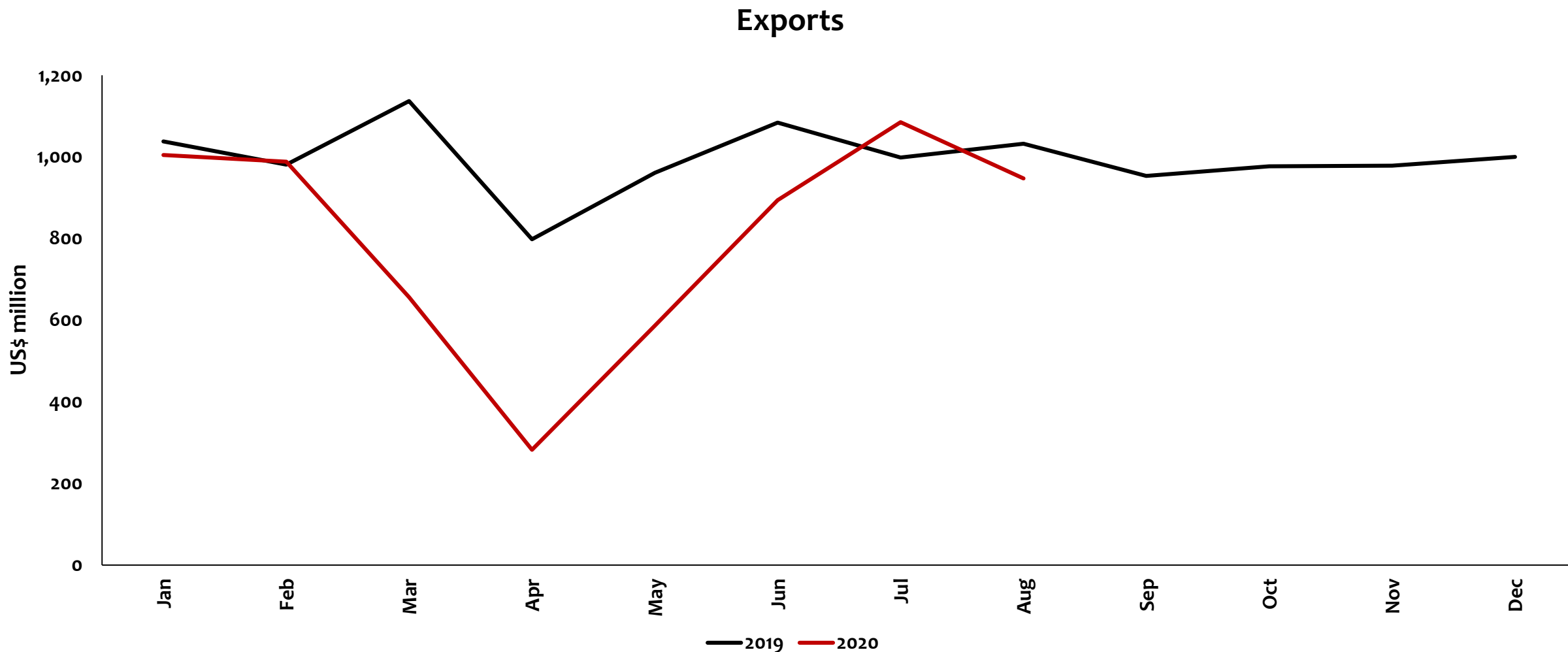
Source : Coconut Development Authority

Fish production is on a recovery path...



Source : Ministry of Fisheries

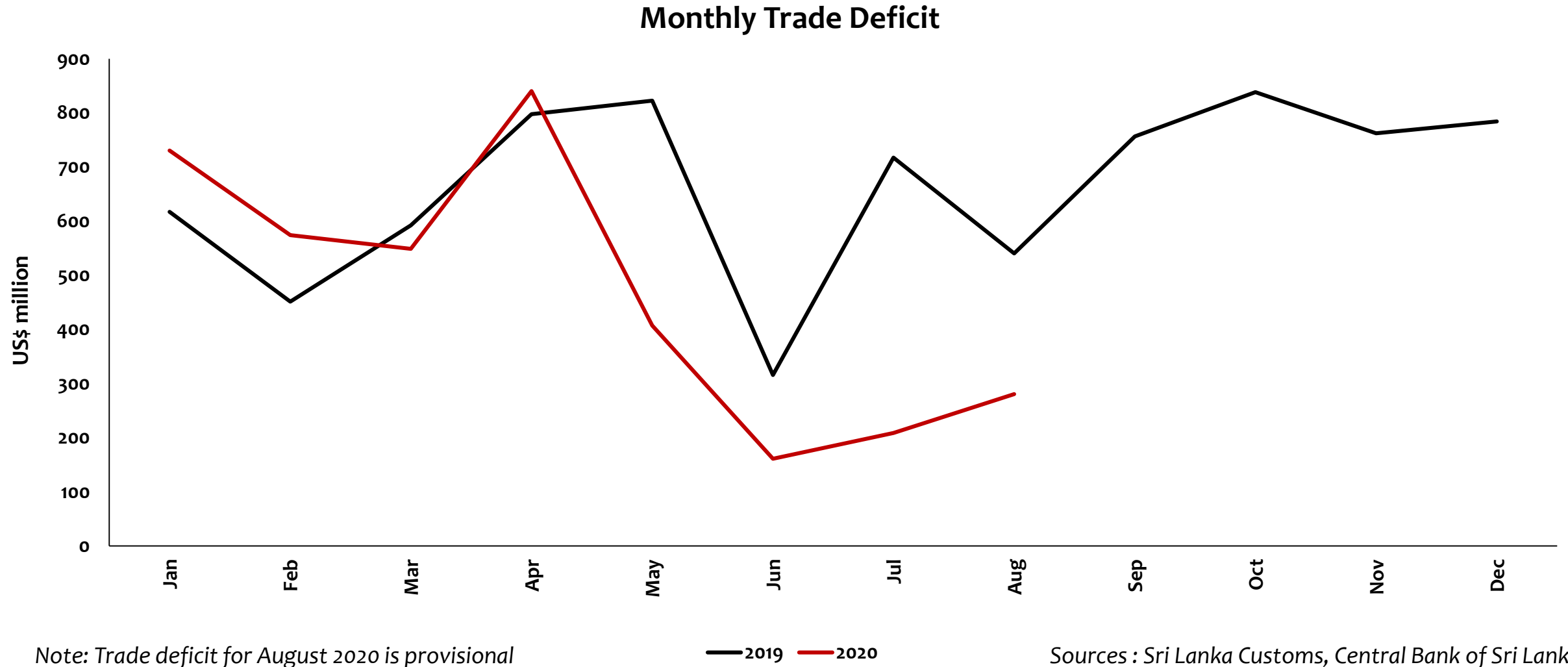
Merchandise exports have reached the level of USD 1 billion a month...



Note: Exports for August 2020 is provisional

Sources : Sri Lanka Customs, Central Bank of Sri Lanka

Trade deficit narrowed as the contraction in imports outpaced the contraction in exports...

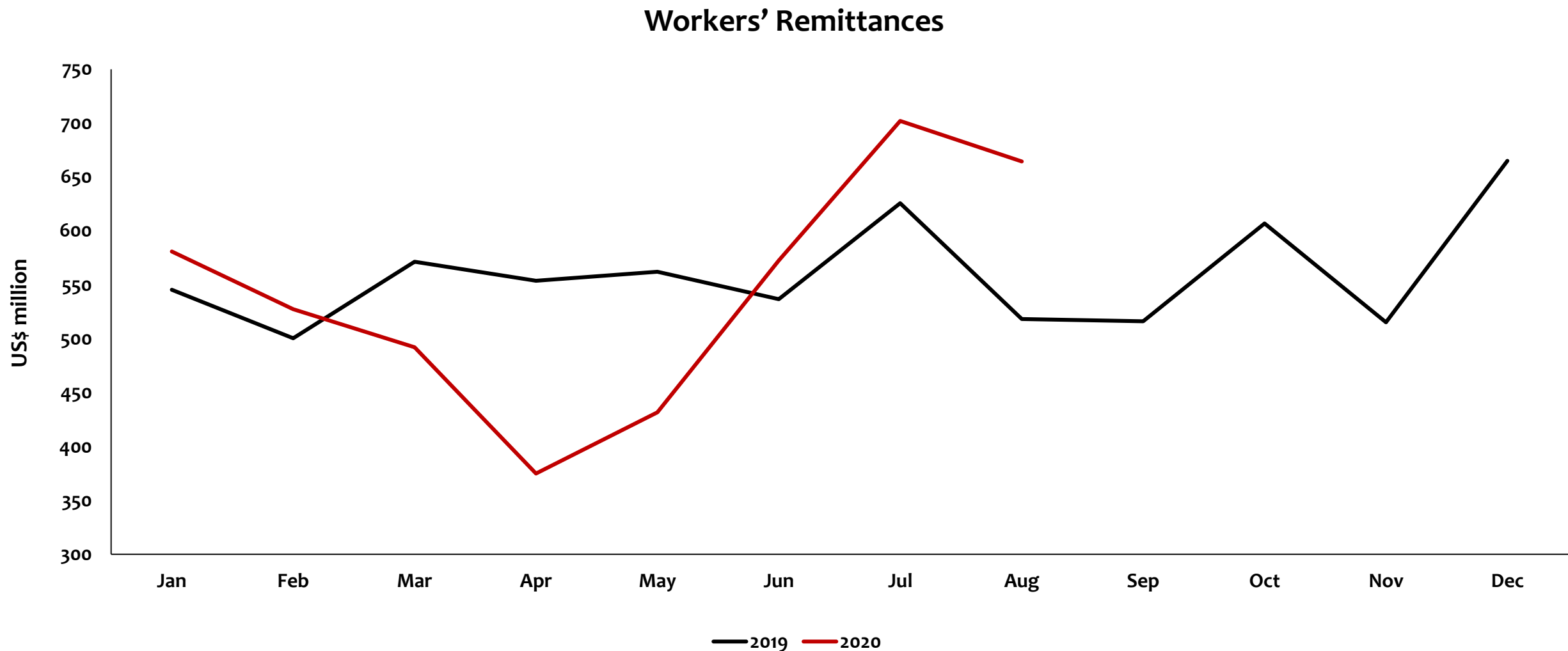


The tourism sector that suffered twin shocks within the span of an year, awaits the recovery in global tourism...



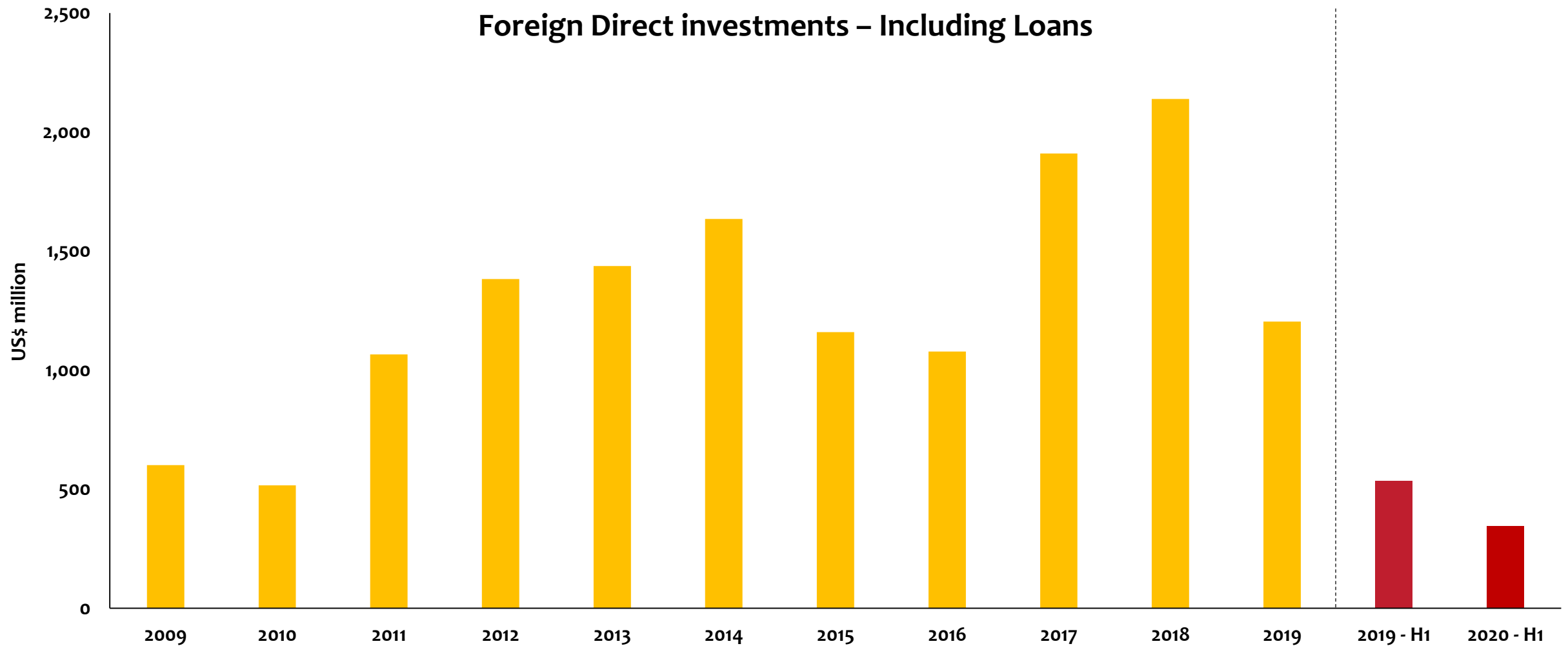
Source : Sri Lanka Tourism Development Authority

A steady year-on-year growth in workers' remittances is observed...



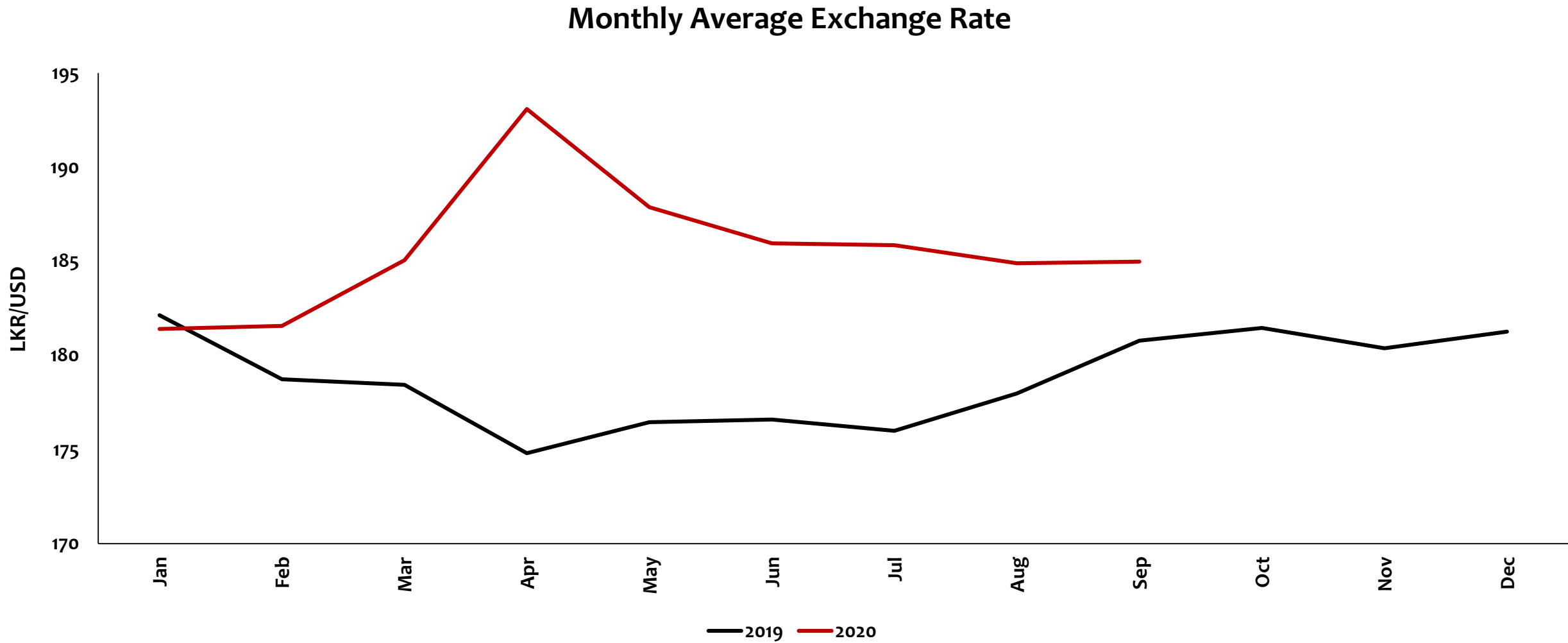
Source : Central Bank of Sri Lanka

FDI inflows have slowed, but the investment pipeline is strengthening...



Source : Central Bank of Sri Lanka

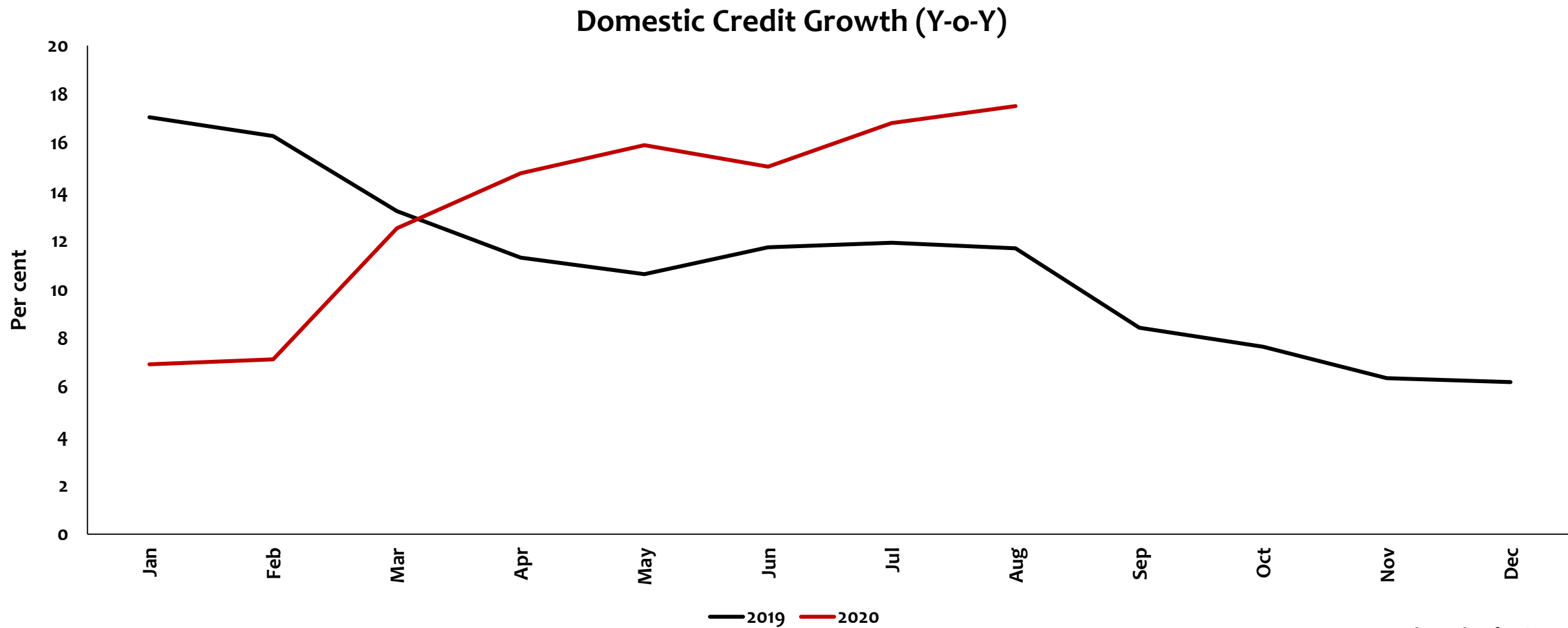
With these developments, the Sri Lanka Rupee strengthened and remains stable...



Note: Average exchange rate for September 2020 as at 24.09.2020

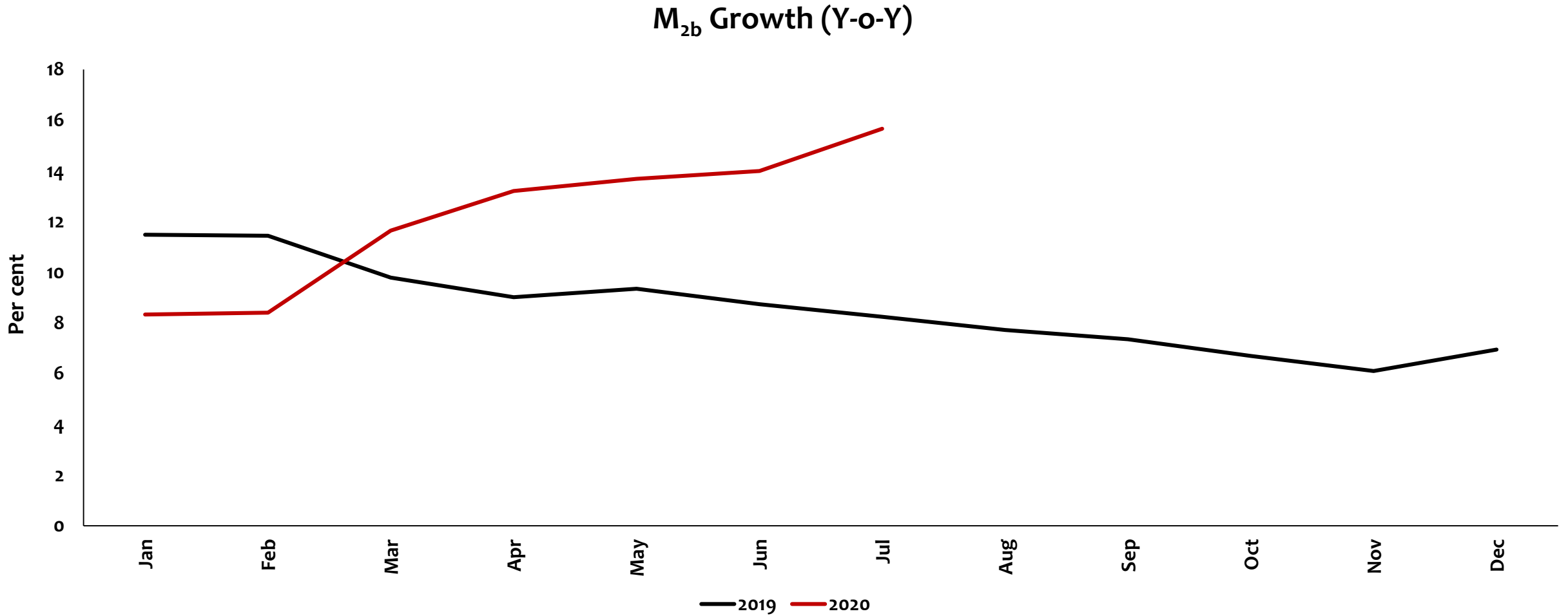
Source : Central Bank of Sri Lanka

A pickup in domestic credit is observed, and private sector credit has begun to accelerate...



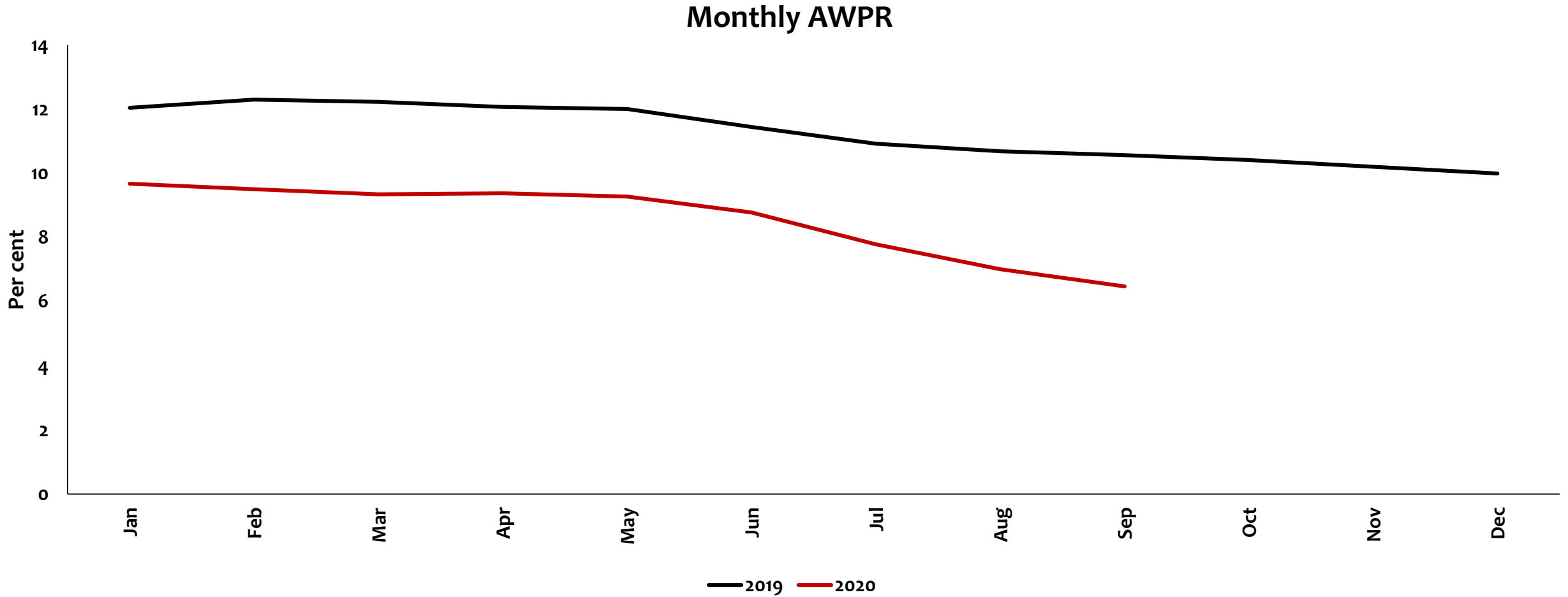
Source : Central Bank of Sri Lanka

With accelerating domestic credit, broad money expansion remains strong...

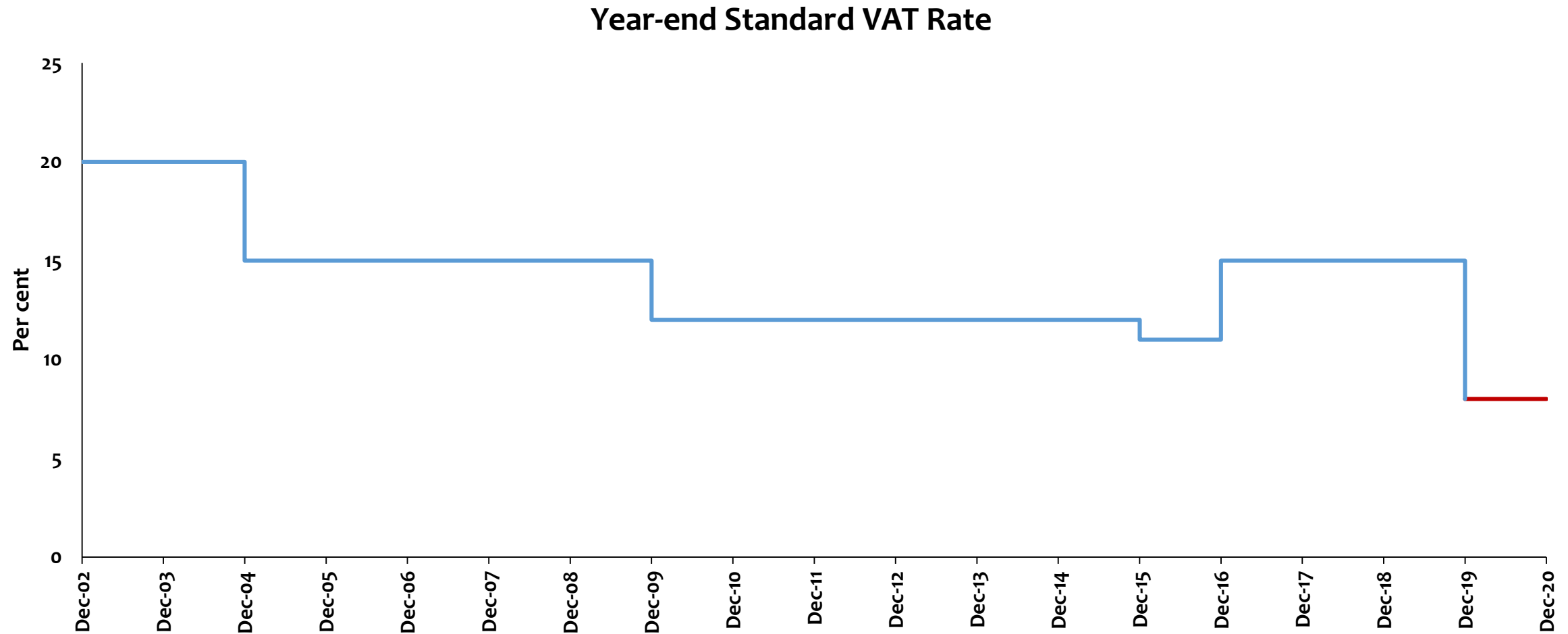


Source : Central Bank of Sri Lanka

Sharp easing of monetary policy has resulted in historically low market interest rates, supporting economic activity...



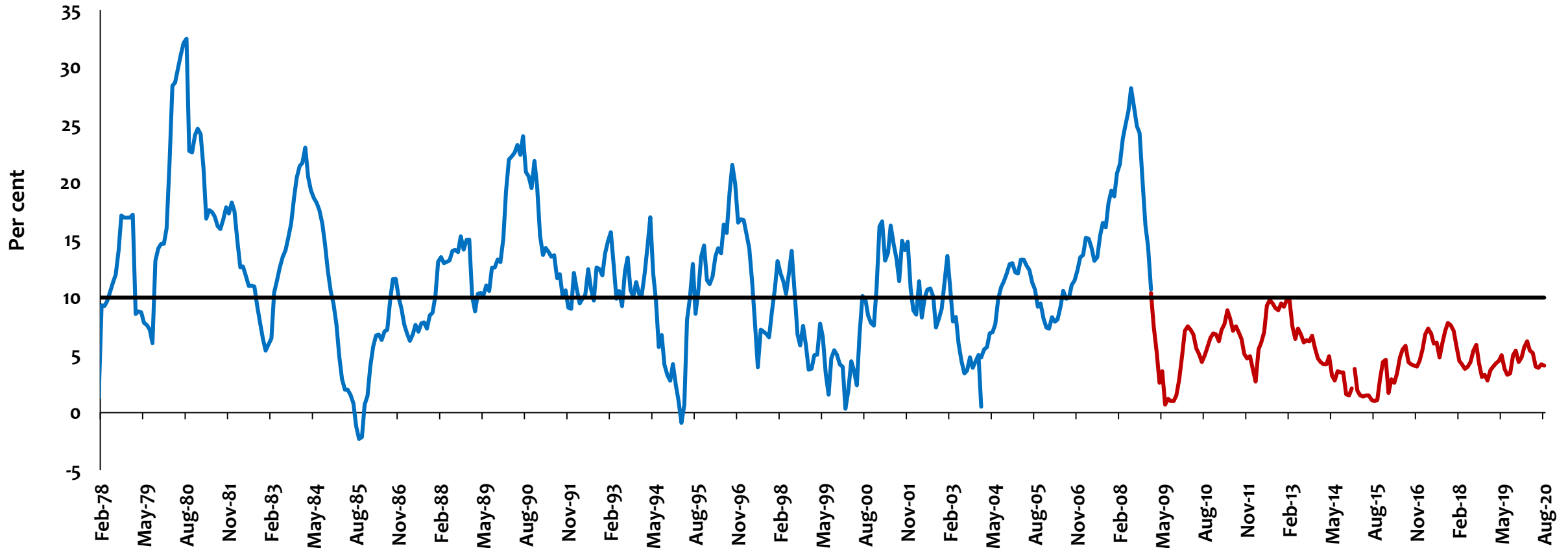
Fiscal policy remains supportive of economic recovery...



Source : Inland Revenue Department

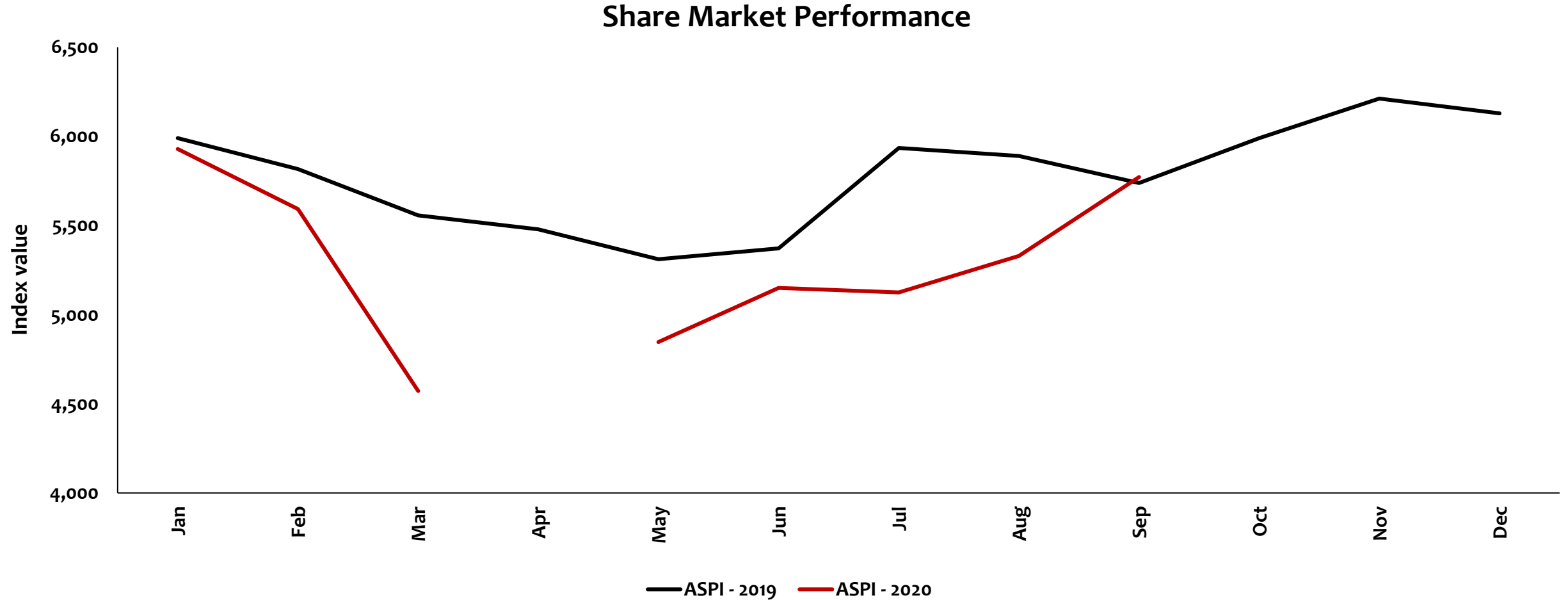
Expansionary policies have been supported by well managed inflation and inflation expectations...

Year-on-year Inflation (Based on CCPI, Spliced)



Source : Department of Census and Statistics

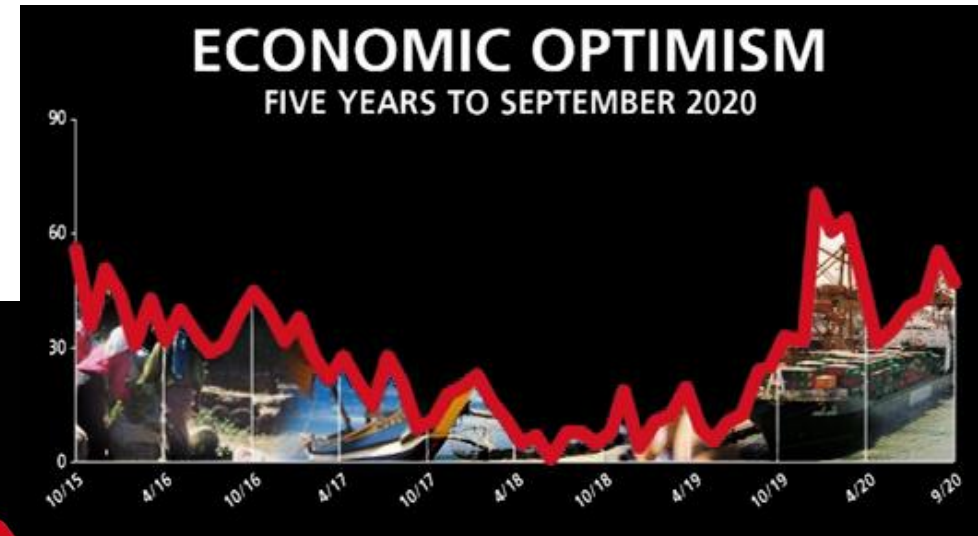
The low interest rate environment and political stability have also supported the recovery of the stock market performance...



Note: ASPI for September 2020 as at 23.09.2020

Source : Colombo Stock Exchange

Business confidence has rightly regained momentum...



Source : LMD

... these hard facts and indicators enable us to reasonably conclude that SRI LANKA is on a steady path beyond recovery towards high economic growth.