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இலங்கை மத்திய வங்கி
CENTRAL BANK OF SRI LANKA

Communications Department

30, Janadhipathi Mawatha, Colombo 01, Sri Lanka.

Tel : 2477424, 2477423, 2477311

Fax: 2346257, 2477739

E-mail: dcommunications@cbsl.lk, communications@cbsl.lk

Web: www.cbsl.gov.lk

Press Release

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A Clarification on Certain Media Reports on the Credibility of Statistics Published in the Central Bank Annual Report 2012

The Central Bank of Sri Lanka (CBSL) would like to state the following with regard to the claims made in certain newspaper articles published recently.

These articles in question dwell on an unfounded argument based on unsubstantiated claims to the effect that the statistics reported in the CBSL Annual Report on Gross Domestic Product (GDP) and inflation are questionable. These news articles attempted to state that the GDP growth of 6.4 per cent for 2012, as published in the CBSL Annual Report 2012, is overstated, while also claiming that the reputed economists and institutions estimate it to be lower, i.e., less than 6 per cent in 2012. The CBSL opines that this assertion is grossly groundless and in fact misleading the general reader, as described in the following.

A well-known fact about projections on economic variables such as economic growth is that they vary significantly among international data reporting agencies and individual countries, because of apparent differences in forecasting models, techniques, and assumptions used in making such projections. Also, a widely understood phenomenon about projections on economic variables is that they are

revised from time-to-time as and when new data become available. Therefore, it is rather imprudent to compare projections with realized data.

A key international agency that publishes estimates on the member country GDP growth is the International Monetary Fund (IMF). The IMF's forecast on Sri Lanka's GDP growth published in October 2012 stood at 6.7 per cent, while its publication in April 2013 reported Sri Lanka's GDP growth for 2012 as 6.4 per cent. The CBSL observes a comparable growth figure is published by several other international agencies such as the Asian Development Bank (6.4 per cent) and the United Nations Conference on Trade and Development (6.5 per cent), while the World Bank is yet to publish GDP growth rates for its member countries for 2012. As such, because the assertion that the GDP growth is overstated is illinformed, the associated claims such as overstating the GDP per capita level and understating the debt-to-GDP ratio are unsupported. Further, the assertion that the IMF's assessment on Government's methodology for deriving the country's GDP is 'unsatisfactory' is a gross misrepresentation of facts highlighted in the recently concluded 2013 Article IV Consultation Mission of the IMF.

It was also claimed in these newspaper articles that the fiscal deficit which was reported at 6.4 per cent of GDP for 2012 in CBSL Annual Report may be much larger if the financial losses of public corporations are taken into account. This clearly exhibits the witlessness of the claimants on the concepts and methodology of compilation of government financial statistics. In Sri Lanka, fiscal statistics calculated only for the central government based on the international standards set by the IMF's Manual of Government Financial Statistics 1986 (GFSM 1986). According to the GFSM 1986, the fiscal statistics of a country can be computed separately for the central government, general government (which includes local and provincial authorities), and the public sector as a whole, by incorporating public enterprises as well. However, the underlying principle in compilation of government financial statistics as prescribed by the IMF is that the compilation of government debt statistics should correspond in coverage to other government finance statistics such as revenue, expenditure, and debt financing. Because currently the Sri Lanka's all

fiscal data are mainly published in relation to central government operations, the assertion to include financial losses of public enterprises is gratuitous in the current context.

As the general public including the international data compiling agencies recognize, the 'Central Bank Annual Report' is undoubtedly one of the prime information sources for many users since its inception over 63 years ago. The Annual Report presents statistics compiled with the association of several relevant authorities based on the international best practices as prescribed by international data reporting agencies, thereby fulfilling various requirements on methodology, coverage, and timeliness. For instance, GDP data, which are compiled by the Department of Census and Statistics, are currently based on the System of National Accounts (SNA) as prepared jointly by the IMF, the European Union, the Organization for Economic Co-operation and Development, the United Nations, and the World Bank. Further, the balance of payments statistics which are compiled by the CBSL are currently based on the framework recommended in the fifth edition of the IMF's Balance of Payments Manual (BPM5). Also, the compilation of central government fiscal data is based on the framework in the IMF's Government Finance Statistics Manual (GFSM), with the backing of various data sources. Further, the compilation of monetary and financial statistics is broadly based on the framework prescribed by the IMF in the Monetary and Financial Statistics Manual 2000.

The usage of data reported in the CBSL Annual Report is not restricted to domestic users, but it reaches out to various international agencies, such as the IMF, the World Bank, the United Nations Conference on Trade and Development (UNCTAD), the Asian Development Bank, the International Rating Agencies etc. Above all, information disseminated by the CBSL on timely basis provides a solid base for investment decisions of global investing firms, other financial institutions and individuals. It should be noted with utmost responsibility that none of such institutions has, so far, raised any disagreement to Sri Lanka's published statistics based on the claims that there exist fundamental deficiencies in terms of methodology used in data compilation. However, it may not necessarily suggest that

the Sri Lanka's data compilation methodology is 'perfect'. As in the case of any other country, advanced or otherwise, data compilation can always be improved. In fact, Sri Lanka is making a notable progress towards improving data compilation and dissemination standards by subscribing to IMF's Special Data Dissemination Standard in the near-term, among various other measures such as adopting the sixth edition of Balance of Payments Manual (BPM6), the Government Financial Statistics Manual 2001. Hence, it would be the duty of all stakeholders to recognize the efforts made towards quality data dissemination and interpret the existing statistics in a just and fair manner, without giving into ulterior motives.