

# RECENT ECONOMIC DEVELOPMENTS

## Highlights of 2021 and Prospects for 2022



**CENTRAL BANK OF SRI LANKA**

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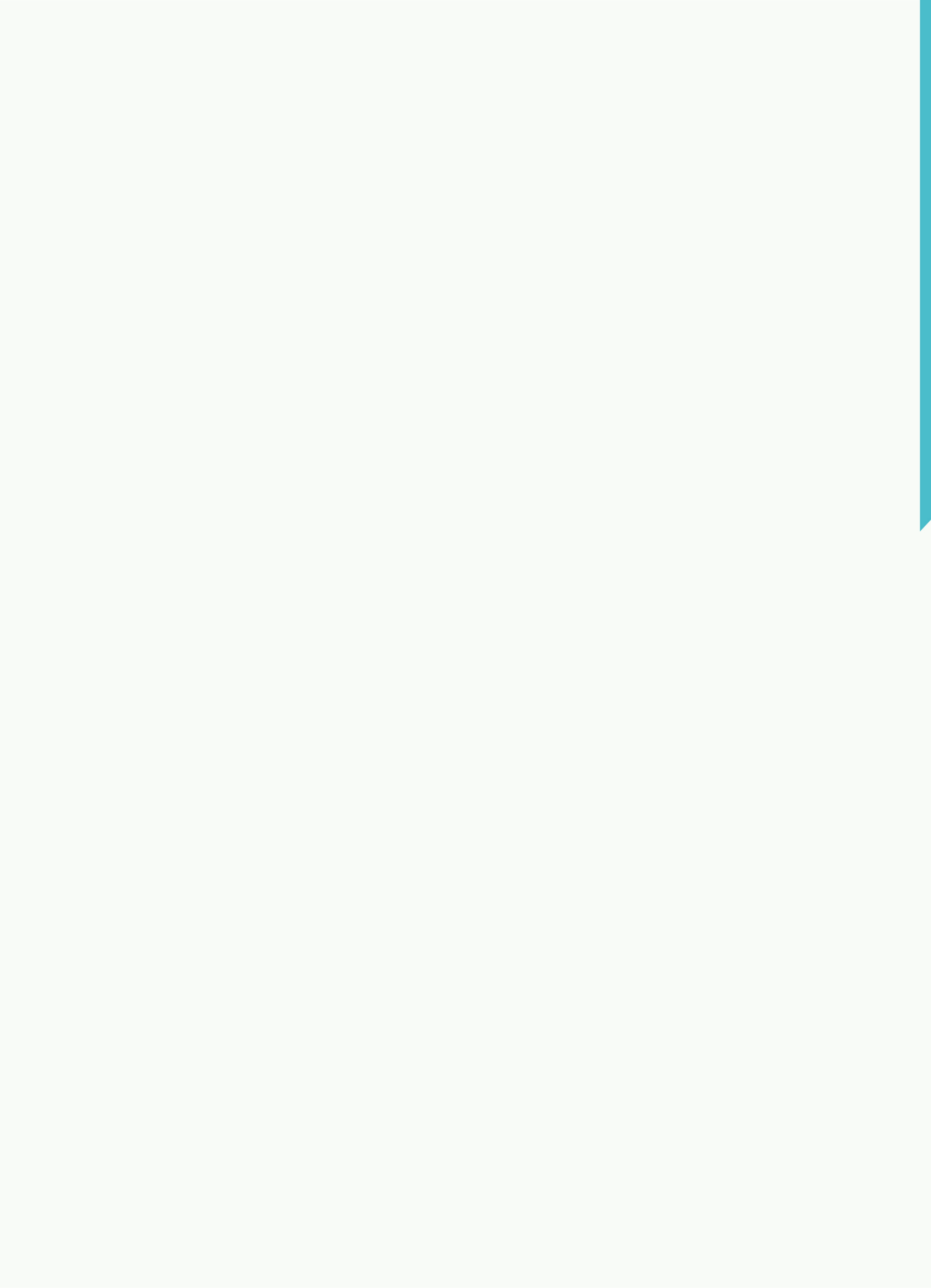
# *Key Economic Indicators*

## KEY ECONOMIC INDICATORS

Recent Economic Developments - Highlights of 2021 and Prospects for 2022

| Key Economic Indicators  |   |             |                |          |                |        |
|--|---|-------------|----------------|----------|----------------|--------|
| Indicator  | 2017  | 2018        | 2019           | 2020 (a) | First Half (a) |        |
|  |   |             |                |          | 2020           | 2021   |
| <b>DEMOGRAPHY</b>  |   |             |                |          |                |        |
| Mid-year population ('000 persons) (b)(c)  | 21,444 (a)  | 21,670 (a)  | 21,803 (a)     | 21,919   | -              | -      |
| Growth of mid-year population (%) (b)  | 1.1 (a)   | 1.1 (a)     | 0.6 (a)        | 0.5      | -              | -      |
| Population density (persons per sq.km.) (b)  | 342 (a)   | 346 (a)     | 348 (a)        | 350      | -              | -      |
| Labour force ('000 persons) (d)  | 8,567   | 8,388       | 8,592          | 8,467    | 8,469          | 8,594  |
| Labour force participation rate (%) (d)  | 54.1  | 51.8        | 52.3           | 50.6     | 50.6           | 50.4   |
| Unemployment rate (% of labour force) (d)  | 4.2   | 4.4         | 4.8            | 5.5      | 5.6            | 5.4    |
| <b>OUTPUT (e)</b>  |   |             |                |          |                |        |
| GDP at current market price (Rs. bn)   | 13,328  | 14,291 (f)  | 15,013 (a)(f)  | 14,973   | 6,851 (f)      | 7,800  |
| GNI at current market price (Rs. bn)   | 12,975  | 13,901 (f)  | 14,581 (a)(f)  | 14,568   | 6,641 (f)      | 7,604  |
| GDP at current market price (USD bn)   | 87.4  | 87.9 (f)    | 84.0 (a)(f)    | 80.7     | 36.9 (f)       | 39.7   |
| GNI at current market price (USD bn)   | 85.1  | 85.5 (f)    | 81.6 (a)(f)    | 78.5     | 35.7 (f)       | 38.7   |
| Per capita GDP at current market price (Rs.) (g)   | 621,531   | 659,479 (f) | 688,573 (a)(f) | 683,106  | -              | -      |
| Per capita GNI at current market price (Rs.) (g)   | 605,076   | 641,500 (f) | 668,748 (a)(f) | 664,620  | -              | -      |
| Per capita GDP at current market price (USD) (g)   | 4,077   | 4,057 (f)   | 3,852 (a)(f)   | 3,682    | -              | -      |
| Per capita GNI at current market price (USD) (g)   | 3,969   | 3,947 (f)   | 3,741 (a)(f)   | 3,582    | -              | -      |
| <b>REAL OUTPUT (% change) (e)</b>  |   |             |                |          |                |        |
| GDP  | 3.6   | 3.3 (f)     | 2.3 (a)(f)     | -3.6     | -9.1 (f)       | 8.0    |
| Major economic activities of GDP   |   |             |                |          |                |        |
| Agriculture  | -0.4  | 5.8 (f)     | 1.0 (a)(f)     | -2.4     | -7.3 (f)       | 7.1    |
| Industry   | 4.7   | 1.3 (f)     | 2.6 (a)(f)     | -6.9     | -14.6 (f)      | 12.1   |
| Services   | 3.6   | 4.6 (f)     | 2.2 (a)(f)     | -1.5     | -5.2 (f)       | 5.1    |
| GNI  | 3.6   | 3.2 (f)     | 2.1 (a)(f)     | -5.0     | -10.1 (f)      | 9.5    |
| <b>AGGREGATE DEMAND AND SAVINGS (% of GDP) (e)</b>   |   |             |                |          |                |        |
| Consumption  | 75.6  | 77.6 (f)    | 79.3 (a)(f)    | 81.1     | 83.0 (f)       | 84.9   |
| Private  | 67.1  | 68.4 (f)    | 69.8 (a)(f)    | 70.7     | 72.2 (f)       | 74.8   |
| Government   | 8.5   | 9.2 (f)     | 9.4 (a)(f)     | 10.4     | 10.8 (f)       | 10.1   |
| Investment   | 31.6  | 29.9 (f)    | 26.8 (a)(f)    | 25.2     | 23.9 (f)       | 24.5   |
| Net exports of goods and services  | -7.2  | -7.4 (f)    | -6.1 (a)(f)    | -6.4     | -6.9 (f)       | -9.4   |
| Exports of goods and services  | 21.8  | 23.0 (f)    | 23.1 (a)(f)    | 16.6     | 17.3 (f)       | 18.2   |
| Imports of goods and services  | 29.1  | 30.5 (f)    | 29.3 (a)(f)    | 22.9     | 24.3 (f)       | 27.6   |
| Domestic savings   | 24.4  | 22.4 (f)    | 20.7 (a)(f)    | 18.9     | 17.0 (f)       | 15.1   |
| Net primary and secondary income from rest of the world  | 4.6   | 4.3 (f)     | 4.0 (a)(f)     | 5.0      | 3.9 (f)        | 5.3    |
| National savings   | 29.0  | 26.7 (f)    | 24.7 (a)(f)    | 23.9     | 20.9 (f)       | 20.3   |
| <b>PRICES AND WAGES (% change)</b>   |   |             |                |          |                |        |
| National Consumer Price Index (2013 = 100) - annual average  | 7.7   | 2.1         | 3.5            | 6.2      | 5.6            | 5.4    |
| National Consumer Price Index (2013 = 100) - y-o-y (end period)                                      | 7.3   | 0.4         | 6.2            | 4.6      | 6.3            | 6.1    |
| Colombo Consumer Price Index (2013 = 100) - annual average   | 6.6   | 4.3         | 4.3            | 4.6      | 4.7            | 4.1    |
| Colombo Consumer Price Index (2013 = 100) - y-o-y (end period)                                       | 7.1   | 2.8         | 4.8            | 4.2      | 3.9            | 5.2    |
| Producer's Price Index (2013 Q4 = 100) - annual average  | 17.0  | 6.3         | 2.9            | 5.8      | 3.8            | 7.8    |
| GDP deflator (e)   | 7.3   | 3.8 (f)     | 2.7 (a)(f)     | 3.4      | 2.5 (f)        | 5.5    |
| GNI deflator (e)   | 7.3   | 3.8 (f)     | 2.7 (a)(f)     | 5.1      | 3.4 (f)        | 4.6    |
| Nominal wage rate index for workers in all wages boards (1978 Dec = 100) (h)                         | 0.0   | 0.6         | 2.9            | 0.2      | 1.3            | 29.1   |
| Nominal wage rate index for public sector employees (2016 = 100) (h)                                 | -   | 0.2         | 4.7            | 9.2      | 10.6           | 2.8    |
| Nominal wage rate index for public sector employees (2012 = 100) (h) (i)                             | 0.0   | 0.1         | 3.2            | -        | -              | -      |
| Nominal wage rate index for informal private sector employees (2012 = 100) (h)                       | 9.5   | 13.2        | 6.2            | 3.3      | 4.0            | 4.1    |
| <b>EXTERNAL TRADE</b>  |   |             |                |          |                |        |
| Trade balance (USD mn)   | -9,619  | -10,343     | -7,997         | -6,008   | -3,262         | -4,316 |
| Exports  | 11,360  | 11,890      | 11,940         | 10,047   | 4,413          | 5,699  |
| Imports  | 20,980  | 22,233      | 19,937         | 16,055   | 7,675          | 10,015 |
| Terms of trade (% change)  | 1.2   | 0.02        | -1.6           | 2.5      | 4.7            | -8.0   |
| Export unit value index (2010 = 100) (% change)  | 2.4   | 4.2         | -6.3           | -6.8     | -3.7           | -0.8   |
| Import unit value index (2010 = 100) (% change)  | 1.2   | 4.1         | -4.8           | -9.1     | -8.0           | 7.9    |
| Export volume index (2010 = 100) (% change)  | 7.6   | 0.5         | 7.2            | -9.7     | -23.6          | 30.2   |
| Import volume index (2010 = 100) (% change)  | 8.1   | 1.8         | -5.8           | -11.4    | -13.1          | 21.0   |
| <b>EXTERNAL FINANCE (USD mn)</b>   |   |             |                |          |                |        |
| Services and primary income account (net)  | 984   | 1,381       | 388 (f)        | -1,282   | -372           | -408   |
| Current private transfers (net)  | 6,316   | 6,155       | 5,757          | 6,194    | 2,573          | 3,184  |
| Current official transfers (net)   | 11  | 8           | 9              | 13       | 7              | 3      |
| Current account balance  | -2,309  | -2,799      | -1,843 (f)     | -1,083   | -1,054         | -1,536 |
| Overall balance  | 2,068   | -1,103      | 377            | -2,328   | -760           | -1,261 |
| Current account balance (as a % of GDP) (e)(j)   | -2.6  | -3.2        | -2.2           | -1.3     | -              | -      |
| Total foreign assets (months of the same year imports) (k)   | 6.0   | 5.2         | 6.3            | 6.4      | 6.3            | 4.5    |
| Gross official reserves (months of the same year imports)  | 4.6   | 3.7         | 4.6            | 4.2      | 4.5            | 2.6    |
| Overall debt service ratio   |   |             |                |          |                |        |
| As a % of export of goods and services   | 23.9  | 28.9        | 29.7           | 33.5     | 32.6           | 28.1   |
| As a % of current receipts   | 17.3  | 21.3        | 21.8 (f)       | 21.5     | 22.1           | 19.0   |
| Total external debt (as a % of GDP) (e)(j)   | 59.0  | 59.5 (f)    | 65.3 (f)       | 60.9     | 62.7           | 60.4   |
| (a) Provisional  | (g) Estimates updated with latest population figures  |             |                |          |                |        |
| (b) As reported by Registrar General's Department  | (h) Annual average percentage change  |             |                |          |                |        |
| (c) Based on the Census of Population and Housing - 2012   | (i) Discontinued since April 2020   |             |                |          |                |        |
| (d) Household population aged 15 and above is considered for the calculation of labour force         | (j) Based on GDP estimates in USD   |             |                |          |                |        |
| (e) Rebased GDP estimates (base year 2010) of the Department of Census and Statistics have been used | (k) Excludes foreign assets in the form of direct investments abroad and trade credit and advances received |             |                |          |                |        |
| (f) Revised  |   |             |                |          |                |        |

| Key Economic Indicators (Contd.)   |         |          |           |          |                |          |
|--|---------|----------|-----------|----------|----------------|----------|
| Indicator  | 2017    | 2018     | 2019      | 2020 (a) | First Half (a) |          |
|  |         |          |           |          | 2020           | 2021     |
| <b>EXCHANGE RATES</b>  |         |          |           |          |                |          |
| Annual average   |         |          |           |          |                |          |
| Rs./USD  | 152.46  | 162.54   | 178.78    | 185.52   | 185.68         | 196.45   |
| Rs./SDR (l)  | 211.49  | 229.90   | 246.97    | 258.61   | 254.63         | 282.04   |
| NEER (2017 = 100) (24 - currency basket) (m)   | 100.00  | 94.05    | 88.17     | 85.93    | 86.73          | 78.81    |
| REER (2017 = 100) (24 - currency basket) (m)(n)  | 100.00  | 95.45    | 90.42     | 91.36    | 92.08          | 83.74    |
| Period end   |         |          |           |          |                |          |
| Rs./USD  | 152.85  | 182.75   | 181.63    | 186.41   | 186.23         | 201.14   |
| Rs./SDR (l)  | 217.69  | 253.51   | 251.17    | 268.48   | 256.20         | 286.91   |
| <b>GOVERNMENT FINANCE (as a % of GDP) (e)(o)(p)</b>  |         |          |           |          |                |          |
| Revenue and grants   | 13.8    | 13.5     | 12.6      | 9.2      | 4.4            | 4.3      |
| Revenue  | 13.7    | 13.4     | 12.6      | 9.1      | 4.4            | 4.3      |
| of which Tax revenue   | 12.5    | 12.0     | 11.6      | 8.1      | 3.9            | 3.9      |
| Grants   | 0.1     | 0.1      | 0.1       | 0.04     | 0.01           | ...      |
| Expenditure and net lending  | 19.3    | 18.8     | 22.2      | 20.3     | 9.4            | 9.1      |
| Recurrent expenditure  | 14.5    | 14.6     | 16.1      | 17.0     | 8.3            | 8.0      |
| Capital expenditure and net lending  | 4.8     | 4.2      | 6.1       | 3.3      | 1.1            | 1.1      |
| Current account balance  | -0.7    | -1.2     | -3.6      | -7.9     | -3.8           | -3.6     |
| Primary balance  | 0.02    | 0.6      | -3.6      | -4.6     | -1.7           | -1.7     |
| Overall fiscal balance   | -5.5    | -5.3     | -9.6      | -11.1    | -4.9           | -4.7     |
| Deficit financing  | 5.5     | 5.3      | 9.6       | 11.1     | 4.9            | 4.7      |
| Foreign  | 3.3     | 2.3      | 3.6       | -0.6     | -1.0           | 0.1      |
| Domestic   | 2.2     | 3.1      | 6.0       | 11.7     | 5.9            | 4.6      |
| Central government debt (q)  | 77.9    | 84.2     | 86.8      | 101.0    | -              | -        |
| Foreign  | 35.4    | 41.7     | 41.3      | 40.4     | -              | -        |
| Domestic (r)   | 42.5    | 42.5     | 45.5      | 60.6     | -              | -        |
| <b>MONETARY AGGREGATES (y-o-y % change)</b>  |         |          |           |          |                |          |
| Reserve money  | 9.8     | 2.3      | -3.0      | 3.4      | -0.6           | 22.6     |
| Narrow money (M <sub>1</sub> )   | 2.1     | 4.7      | 4.2       | 36.0     | 24.7           | 29.1     |
| Broad money (M <sub>2b</sub> ) (s)   | 16.7    | 13.0     | 7.0       | 23.4     | 14.0           | 21.5     |
| Net foreign assets of the banking system   | 152.6   | -155.1   | 250.3 (f) | -308.0   | -110.8         | -4,012.3 |
| Net domestic assets of the banking system  | 9.8     | 16.3     | 4.6 (f)   | 27.8     | 15.9           | 27.1     |
| Domestic credit from the banking system to   |         |          |           |          |                |          |
| Government (net)   | 10.0    | 16.1     | 11.1 (f)  | 62.7     | 34.9           | 44.3     |
| Public corporations / SOBEs  | 4.5     | 40.7     | 8.3       | 22.5     | 30.3           | 19.0     |
| Private sector   | 14.7    | 15.9     | 4.2 (f)   | 6.5      | 4.2            | 12.9     |
| Money multiplier for M <sub>2b</sub> (end period)  | 6.71    | 7.42     | 8.18      | 9.75     | 9.63           | 9.54     |
| Velocity of M <sub>2b</sub> (average for the year) (e)   | 2.26    | 2.11 (f) | 2.04      | 1.76     | -              | -        |
| <b>INTEREST RATES (% per annum at end of period)</b>   |         |          |           |          |                |          |
| Standing Deposit Facility Rate (SDFR) (t)  | 7.25    | 8.00     | 7.00      | 4.50     | 5.50           | 4.50     |
| Standing Lending Facility Rate (SLFR) (t)  | 8.75    | 9.00     | 8.00      | 5.50     | 6.50           | 5.50     |
| Bank Rate (u)  | 15.00   | 15.00    | 15.00     | 8.50     | 9.50           | 8.50     |
| Legal Rate of Interest / Market Rate of Interest (v)   | 7.06    | 9.08     | 11.50     | 11.64    | 11.64          | 10.12    |
| Money market rates   |         |          |           |          |                |          |
| Average weighted call money rate (AWCMR)   | 8.15    | 8.95     | 7.45      | 4.55     | 5.52           | 4.93     |
| Treasury bill yields   |         |          |           |          |                |          |
| 91-day   | 7.69    | 10.01    | 7.51      | 4.69     | 5.50           | 5.18     |
| 364-day  | 8.90    | 11.20    | 8.45      | 5.05     | 5.66           | 5.23     |
| Deposit rates  |         |          |           |          |                |          |
| Commercial banks' average weighted deposit rate (AWDR)   | 9.07    | 8.81     | 8.20      | 5.80     | 7.38           | 4.87     |
| Commercial banks' average weighted fixed deposit rate (AWFDR)  | 11.48   | 10.85    | 10.05     | 7.14     | 9.00           | 5.82     |
| Commercial banks' average weighted new deposit rate (AWNDR)  | 10.06   | 10.94    | 8.89      | 4.93     | 7.20           | 4.98     |
| Commercial banks' average weighted new fixed deposit rate (AWNDFDR)  | 10.65   | 11.27    | 9.17      | 5.08     | 7.37           | 5.10     |
| NSB savings rate   | 4.00    | 4.00     | 4.00      | 3.50     | 4.00           | 3.50     |
| NSB 12 month fixed deposit rate  | 11.00   | 10.50    | 9.83      | 5.25     | 7.25           | 5.00     |
| Lending rates  |         |          |           |          |                |          |
| Commercial banks' average weighted prime lending rate (AWPR)-Weekly  | 11.55   | 12.09    | 9.74      | 5.81     | 8.48           | 5.51     |
| Commercial banks' average weighted lending rate (AWLR)   | 13.88   | 14.40    | 13.59     | 10.29    | 12.64          | 9.50     |
| Commercial banks' average weighted new lending rate (AWNLR)  | 14.31   | 14.54    | 12.80     | 8.38     | 11.18          | 7.47     |
| <b>CAPITAL MARKET</b>  |         |          |           |          |                |          |
| All share price index (ASPI) (1985 = 100)  | 6,369.3 | 6,052.4  | 6,129.2   | 6,774.2  | 5,149.6        | 7,837.8  |
| S&P SL20 index (2004 Dec = 1,000)  | 3,671.7 | 3,135.2  | 2,937.0   | 2,638.1  | 2,268.8        | 2,968.3  |
| Value of shares traded (Rs. mn)  | 220,591 | 200,069  | 171,408   | 396,882  | 104,405        | 460,947  |
| Net purchases by non nationals (Rs. mn)  | 17,655  | -23,239  | -11,735   | -51,356  | -20,954        | -26,482  |
| Market capitalisation (Rs. bn)   | 2,899.3 | 2,839.5  | 2,851.3   | 2,960.6  | 2,404.7        | 3,470.2  |
| (l) Special Drawing Rights (SDR), the unit of account of the IMF   |         |          |           |          |                |          |
| (m) Exchange rates have been defined in terms of indices so that the appreciation/ depreciation of the rupee relative to other currencies is reflected by a rise/fall in the values of the effective exchange rate indices   |         |          |           |          |                |          |
| (n) CCPI is used for the computation of the Real Effective Exchange Rate (REER). The REER is computed by adjusting the Nominal Effective Exchange Rate (NEER) for inflation differentials with the countries whose currencies are included in the basket   |         |          |           |          |                |          |
| (o) Based on the revised GDP estimates for 2018 and 2019 released on 16 March 2021 by the Department of Census and Statistics  |         |          |           |          |                |          |
| (p) According to the Ministry of Finance, some fiscal sector statistics of 2019 have been restated as announced in the Budget Speech for 2020  |         |          |           |          |                |          |
| (q) As per the guidelines of compiling government debt statistics in the Manual of Government Finance Statistics published by the IMF in 2014, non resident holdings of outstanding SLDBs and outstanding ISBs of the Sri Lankan Government have been classified under foreign debt and resident holdings of outstanding of SLDBs and outstanding ISBs of the Sri Lankan Government have been classified under domestic debt.  |         |          |           |          |                |          |
| (r) Outstanding balances of Treasury bonds issued to Sri Lankan Airlines and Ceylon Petroleum Corporation have been included.  |         |          |           |          |                |          |
| (s) Values from 2015 include assets/ liabilities of DFCC Bank PLC, which merged with DFCC Vardhana Bank, with effect from 1 October 2015   |         |          |           |          |                |          |
| (t) Repurchase rate and Reverse Repurchase rate renamed as Standing Deposit Facility Rate (SDFR) and Standing Lending Facility Rate (SLFR), respectively, with effect from 2 January 2014  |         |          |           |          |                |          |
| (u) The rate at which the Central Bank grants advances to banking institutions as the lender of last resort  |         |          |           |          |                |          |
| (v) The Legal rate is defined under the Civil Procedure Code (Amendment) Act No. 6 of 1990 and is applicable to any legal action for the recovery of a sum of money. The Market rate is defined under the Debt Recovery (Special Provisions) Act No. 2 of 1990 and is applicable only in relation to legal actions instituted by lending institutions for the recovery of debt exceeding Rs. 150,000 arising out of commercial transactions, where there is no agreed rate of interest. The Monetary Board of the Central Bank determines the Legal rate and Market rate for each year and publishes in the Government Gazette in the month of December to be applicable for the forthcoming year. |         |          |           |          |                |          |



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