

RECENT ECONOMIC DEVELOPMENTS

Highlights of 2022 and Prospects for 2023



CENTRAL BANK OF SRI LANKA

October 2022

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

Printed by : Sharp Graphic House (Pvt) Ltd

ISBN 978-624-5917-22-8

The image features a solid teal background. A large, white, curved shape, resembling a thick arc or a stylized wave, starts from the left edge and curves upwards and to the right, occupying the upper half of the frame. The text "Key Economic Indicators" is positioned within the white area, towards the right side.

Key Economic Indicators

KEY ECONOMIC INDICATORS

Recent Economic Developments - Highlights of 2022 and Prospects for 2023

Key Economic Indicators						
Indicator	2018	2019	2020	2021 (a)	First Half (a)	
					2021	2022
DEMOGRAPHY						
Mid-year population ('000 persons) (b)(c)	21,670 (a)	21,803 (a)	21,919 (a)	22,156	-	-
Growth of mid-year population (%) (b)	1.1 (a)	0.6 (a)	0.5 (a)	1.1	-	-
Population density (persons per sq.km.) (b)	345.6 (a)	347.7 (a)	349.6 (a)	353.3	-	-
Labour force ('000 persons) (d)	8,387.8	8,592.0	8,466.7	8,553	8,594 (e)	8,669 (e)
Labour force participation rate (%) (d)	51.8	52.3	50.6	49.9	50.4 (e)	50.6 (e)
Unemployment rate (% of labour force) (d)	4.4	4.8	5.5	5.1	5.4 (e)	4.5 (e)
OUTPUT (f)						
GDP at current market price (Rs. bn)	15,352	15,911	15,840 (a)	17,686	8,605	10,743
GNI at current market price (Rs. bn)	14,962	15,470	15,417 (a)	17,279	8,413	10,513
GDP at current market price (USD bn)	94.5	89.0	85.4 (a)	88.9	43.8	38.0
GNI at current market price (USD bn)	92.1	86.5	83.1 (a)	86.9	42.8	37.2
Per capita GDP at current market price (Rs.) (h)	708,442	729,761	722,668 (a)	798,242	-	-
Per capita GNI at current market price (Rs.) (h)	690,463	709,516	703,367 (a)	779,890	-	-
Per capita GDP at current market price (USD) (h)	4,359	4,082	3,895 (a)	4,014	-	-
Per capita GNI at current market price (USD) (h)	4,248	3,969	3,791 (a)	3,921	-	-
REAL OUTPUT (% change) (f)						
GDP	2.3	-0.2	-3.5 (a)	3.3	9.3	-4.8
Major economic activities of GDP						
Agriculture	6.3	0.5	-1.4 (a)	2.5	8.8	-7.6
Industry	-1.1	-4.1	-5.3 (a)	5.6	12.4	-7.1
Services	4.3	2.9	-1.9 (a)	3.3	5.6	-0.6
GNI	2.2	-0.5	-3.3 (a)	3.7	10.1	-4.7
AGGREGATE DEMAND AND SAVINGS (% of GDP) (f)						
Consumption	68.9	71.7	72.4 (a)	72.1	73.6	74.1
Private	60.3	62.7	62.1 (a)	62.7	64.0	65.0
Government	8.6	9.0	10.3 (a)	9.4	9.6	9.1
Investment	38.1	34.1	33.7 (a)	35.3	34.9	31.0
Net exports of goods and services	-6.9	-5.8	-6.1 (a)	-7.4	-8.5	-5.1
Exports of goods and services	21.5	21.8	15.3 (a)	16.9	15.3	21.6
Imports of goods and services	28.4	27.6	21.4 (a)	24.2	23.8	26.7
Domestic savings	31.1	28.3	27.6 (a)	27.9	26.4	25.9
Net primary and secondary income from rest of the world	4.0	3.7	4.6 (a)	3.6	5.1	3.1
National savings	35.1	32.0	32.2 (a)	31.5	31.4	29.0
PRICES AND WAGES (% change)						
National Consumer Price Index (2013 = 100) - annual average	2.1	3.5	6.2	7.0	5.4	20.8
National Consumer Price Index (2013 = 100) - y-o-y (end period)	0.4	6.2	4.6	14.0	6.1	58.9
Colombo Consumer Price Index (2013 = 100) - annual average	4.3	4.3	4.6	6.0	4.1	18.4
Colombo Consumer Price Index (2013 = 100) - y-o-y (end period)	2.8	4.8	4.2	12.1	5.2	54.6
Producer Price Index (2018 Q4 = 100) - annual average	-	-	5.8	10.9	7.8	31.1
Producer Price Index (2013 Q4 = 100) - annual average (i)	6.3	2.9	5.8	-	7.8	-
GDP deflator (f)	4.3	3.9	3.1 (a)	8.1	6.2	32.6
GNI deflator (f)	4.4	3.9	3.1 (a)	8.1	6.2	32.6
Nominal Wage Rate Indices						
Formal Private Sector Employees (1978 Dec = 100) - annual average	0.6	2.9	0.2	74.4	29.1	48.0
Public Sector Employees (2016 = 100) - annual average	0.2	4.7	9.2	0.0	2.8	8.1
Informal Private Sector Employees (2018 = 100) - annual average (i)	-	-	6.4	9.2	5.8	17.4
Informal Private Sector Employees (2012 = 100) - annual average	13.2	6.2	3.3	9.2	4.1	18.2
EXTERNAL TRADE						
Trade balance (USD mn)	-10,343	-7,997	-6,008	-8,139	-4,316	-3,514
Exports	11,890	11,940	10,047	12,499	5,699	6,514
Imports	22,233	19,937	16,055	20,637	10,015	10,028
Terms of trade (% change)	0.02	-1.6	2.5	-8.6	-9.2	-13.1
Export unit value index (2010 = 100) (% change)	4.2	-6.3	-6.8	5.4	-2.1	2.2
Import unit value index (2010 = 100) (% change)	4.1	-4.8	-9.1	15.2	7.9	17.6
Export volume index (2010 = 100) (% change)	0.5	7.2	-9.7	18.0	31.9	11.9
Import volume index (2010 = 100) (% change)	1.8	-5.8	-11.4	11.5	21.0	-14.9
EXTERNAL FINANCE (USD mn)						
Services and primary income account (net)	1,381	388	-1,386	-432	-320	225
Current private transfers (net)	6,155	5,757	6,194	5,221	3,195	1,459
Current official transfers (net)	8	9	13	6	3	2
Current account balance	-2,799	-1,843	-1,187	-3,343	-1,437	-1,828
Overall balance	-1,103	377	-2,328	-3,967	-1,261	-2,814
Current account balance (as a % of GDP) (f)(k)	-3.0	-2.1	-1.4	-3.8	-	-
Total foreign assets (months of the same year imports) (l)	5.2	6.3	6.4	3.6	4.5	3.2
Gross official reserves (months of the same year imports)	3.7	4.6	4.2	1.8	2.6	1.1
Overall debt service ratio (m)						
As a percentage of export of goods and services	28.9	29.7	35.2	30.0	29.8	23.3
As a percentage of current receipts	21.3	21.8	22.6	21.8	19.8	19.3
Total external debt (as a % of GDP) (f)(k)	55.3	61.6	57.4	57.0	56.4	57.4
<p>(a) Provisional</p> <p>(b) As reported by Registrar General's Department</p> <p>(c) Based on the Census of Population and Housing - 2012</p> <p>(d) Household population aged 15 and above is considered for the calculation of labour force</p> <p>(e) Average of first two quarters</p> <p>(f) Rebased GDP estimates (base year 2015) of the Department of Census and Statistics have been used</p> <p>(g) Revised</p> <p>(h) Estimates updated with latest population figures</p> <p>(i) Compilation of this index was discontinued since November 2021</p> <p>(j) Informal private sector wage rate index was rebased to 2018 from 2012</p> <p>(k) Based on GDP estimates in US dollars</p> <p>(l) Excludes foreign assets in the form of direct investments abroad and trade credit and advances received</p> <p>(m) Overall debt service ratios were reclassified to capture debt servicing in accordance with the External Debt Statistics Manual (2003) of the International Monetary Fund (IMF).</p>						

Key Economic Indicators (Contd.)						
Indicator	2018	2019	2020	2021 (a)	First Half (a)	
					2021	2022
EXCHANGE RATES						
Annual average						
Rs/USD	162.5	178.8	185.5	198.9	196.5	284.2
Rs/SDR (n)	229.9	247.0	258.6	283.2	282.0	388.6
NEER (2017 = 100) (24 - currency basket) (o)	94.1	88.2	85.9	78.6	78.8	60.7
REER (2017 = 100) (24 - currency basket) (o)(p)	95.5	90.4	91.5	83.6	83.9	62.2
Period end						
Rs/USD	182.7	181.6	186.4	200.4	201.1	359.9
Rs/SDR (n)	253.5	251.2	268.5	280.5	286.9	477.8
GOVERNMENT FINANCE (as a % of GDP) (f)(q)(r)						
Revenue and grants	12.6	11.9	8.7	8.3	4.0	4.1
of which Revenue	12.5	11.9	8.6	8.2	4.0	4.1
of which Tax revenue	11.2	10.9	7.7	7.3	3.6	3.5
Expenditure and net lending	17.5	21.0	19.2	19.9	8.5	8.1
Recurrent expenditure	13.6	15.2	16.1	15.5	7.4	7.0
Capital expenditure and net lending	3.9	5.7	3.1	4.4	1.0	1.1
Current account balance	-1.1	-3.4	-7.5	-7.3	-3.4	-2.9
Primary balance	0.6	-3.4	-4.3	-5.7	-1.5	-1.1
Overall fiscal balance	-5.0	-9.0	-10.5	-11.6	-4.4	-4.0
Deficit financing	5.0	9.0	10.5	11.6	4.4	4.0
Foreign	2.1	3.4	-0.5	-0.1	0.1	-0.2
Domestic	2.8	5.6	11.1	11.7	4.3	4.2
Central government debt (s)	78.4	81.9	95.4	99.5	93.7	122.4 (t)
Foreign	38.8	39.0	38.2	36.7	37.5	58.1 (t)
Domestic	39.5	42.9	57.2	62.7	56.2	64.3 (t)
MONETARY AGGREGATES (y-o-y % change)						
Reserve money	2.3	-3.0	3.4	35.4	22.6	36.4
Narrow money (M ₁)	4.7	4.2	36.0	24.0	29.1	19.5
Broad money (M _{2b})	13.0	7.0	23.4	13.2	21.5	17.1
Net foreign assets of the banking system	-155.1	250.3	-308.0	-368.8	-4,012.4	-340.8
Net domestic assets of the banking system	16.3	4.6	27.8	20.9	27.1	31.7
Domestic credit from the banking system to						
Government (net)	16.1	11.1	62.7	28.2	42.4 (g)	30.7
Public corporations / SOBEs	40.7	8.3	22.5	18.6	19.0	52.7
Private sector	15.9	4.2	6.5	13.1	12.9	17.2
Money multiplier for M _{2b} (end period)	7.42	8.18	9.75	8.15	9.54	8.19
Velocity of M _{2b} (average for the year) (f)	2.27	2.16	1.86	1.74	-	-
INTEREST RATES (% per annum at end of period)						
Standing Deposit Facility Rate (SDFR)	8.00	7.00	4.50	5.00	4.50	13.50
Standing Lending Facility Rate (SLFR)	9.00	8.00	5.50	6.00	5.50	14.50
Bank Rate (u)	15.00	15.00	8.50	9.00	8.50	17.50
Legal Rate of Interest / Market Rate of Interest (v)	9.08	11.50	11.64	10.12	10.12	7.48
Money market rates						
Average weighted call money rate (AWCMR)	8.95	7.45	4.55	5.95	4.93	14.50
Treasury bill yields						
91-day	10.01	7.51	4.69	8.16	5.18	23.85
364-day	11.20	8.45	5.05	8.24	5.23	23.84
Deposit rates						
Commercial banks' average weighted deposit rate (AWDR)	8.81	8.20	5.80	4.94	4.87	8.41
Commercial banks' average weighted fixed deposit rate (AWFDR)	10.85	10.05	7.14	5.94	5.82	11.06
Commercial banks' average weighted new deposit rate (AWNDR)	10.94	8.89	4.93	6.45	4.98	17.15
Commercial banks' average weighted new fixed deposit rate (AWNDFDR)	11.27	9.17	5.08	6.67	5.10	17.45
NSB savings rate	4.00	4.00	3.50	3.50	3.50	3.00
NSB 12 month fixed deposit rate	10.50	9.83	5.25	5.50	5.00	12.00
Lending rates						
Commercial banks' average weighted prime lending rate (AWPR)-Weekly	12.09	9.74	5.81	8.61	5.51	22.62
Commercial banks' average weighted lending rate (AWLR)	14.40	13.59	10.29	9.87	9.50	15.06
Commercial banks' average weighted new lending rate (AWNLR)	14.54	12.80	8.38	9.48	7.47	21.50
CAPITAL MARKET						
All share price index (ASPI) (1985 = 100)	6,052.4	6,129.2	6,774.2	12,226	7,837.8	7,342.3
S&P SL20 index (2004 Dec = 1,000)	3,135.2	2,937.0	2,638.1	4,233.3	2,968.3	2,334.4
Value of shares traded (Rs. mn)	200,069	171,408	396,882	1,173,157	460,947	373,567
Net purchases by non nationals (Rs. mn)	-23,239	-11,735	-51,356	-52,649	-26,482	-1,171
Market capitalisation (Rs. bn)	2,839.5	2,851.3	2,960.6	5,489.2	3,470.2	3,184.2
(n) Special Drawing Rights (SDR), the unit of account of the IMF						
(o) 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.						
(p) 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.						
(q) GDP projection for 2022 by the Central Bank was used for the first half of 2022.						
(r) According to the Ministry of Finance, some fiscal sector statistics of 2019 have been restated as announced in the Budget Speech for 2020						
(s) 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 have been classified under foreign debt and resident holdings of outstanding ISBs of the Sri Lankan Government have been classified under domestic debt from 2019 onwards.						
(t) Outstanding central government debt statistics as at end June 2022 are highly provisional, since data on some of the debt service payments which fell overdue after the announcement of the Interim Policy regarding the servicing of Sri Lanka's external public debt on 12 April 2022 are yet to be finalised. Further, actual GDP for the second half of 2021 and first half of 2022 was used to estimate the outstanding stock of debt as a percentage of GDP as at end June 2022.						
(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 action 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.						

Contents

Pages

Chapters

1. Economic Performance and Outlook	1
2. National Output, Expenditure and Employment	17
3. Economic and Social Infrastructure	31
4. Prices and Wages	45
5. External Sector Developments	53
6. Fiscal Policy and Government Finance	61
7. Monetary Policy, Interest Rates, Money and Credit	69
8. Financial Sector Performance and System Stability	79

Major Economic Policy Measures	91
--------------------------------	----

Statistical Appendix	113
----------------------	-----

