

RECENT ECONOMIC DEVELOPMENTS

Highlights of 2008 and Prospects for 2009



CENTRAL BANK OF SRI LANKA
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KEY ECONOMIC INDICATORS



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INDICATOR	2004	2005	2006	2007	First Half	
					2007 Actual	2008 Provisional
DEMOGRAPHY						
Mid year population ('000 persons) ^(a)	19,462	19,668	19,886	20,010	20,010	20,217
Growth of mid year population (per cent) ^(a)	1.2	1.0	1.1	1.1	1.1	1.0
Population density (persons per sq.km.) ^(a)	310	314	317	319	319	322
Labour force ('000 persons) ^{(b)(c)(d)}	8,061	7,312	7,599	7,489	7,362 ^(e)	7,506 ^(e)
Labour force participation rate (per cent) ^{(b)(c)(d)}	48.6	49.3	51.2	49.8	49.0 ^(e)	49.6 ^(e)
Unemployment rate (per cent of labour force) ^{(b)(c)(d)}	8.3	7.2	6.5	6.0	6.5 ^(e)	5.3 ^(e)
OUTPUT ^(f)						
GDP at current market prices (Rs. billion)	2,091	2,453	2,939	3,578		
GNP at current market prices (Rs. billion)	2,070	2,423	2,898	3,540		
Per capita GDP at market prices (Rs.)	107,432	124,709	147,775	178,830		
Per capita GNP at market prices (Rs.)	106,367	123,181	145,742	176,890		
Per capita GDP at market prices (US\$)	1,062	1,241	1,421	1,617		
Per capita GNP at market prices (US\$)	1,051	1,226	1,402	1,599		
REAL OUTPUT (percentage change) ^(f)						
GNP	5.4	6.0	7.5	7.1		
GDP	5.4	6.2	7.7	6.8	6.3	6.6
Sectoral Classification of GDP						
Agriculture	0.0	1.8	6.3	3.3	2.0	6.6
Industry	5.4	8.0	8.1	7.6	7.2	6.5
Services	6.7	6.4	7.7	7.1	6.8	6.7
AGGREGATE DEMAND AND SAVINGS (per cent of GDP) ^(f)						
Consumption	83.6	82.1	83.0	82.4		
Private	70.9	69.0	67.7	67.2		
Government	12.6	13.1	15.4	15.3		
Investment	25.3	26.8	28.0	27.9		
Private	22.5	22.4	23.9	22.5		
Government	2.7	4.4	4.1	5.4		
Net imports of goods & services	-8.8	-8.9	-11.0	-10.3		
Exports of goods & services	35.3	32.3	30.1	29.2		
Imports of goods & services	44.2	41.3	41.1	39.5		
Domestic savings	16.4	17.9	17.0	17.6		
Net factor income ^(g)	5.5	5.9	5.4	5.8		
National savings	22.0	23.8	22.3	23.3		
PRICES AND WAGES (percentage change)						
Colombo Consumers' Price Index (2002 = 100)	9.0	11.0	10.0	15.8	12.8	21.0
Wholesale Price Index (1974 = 100)	12.5	11.5	11.7	24.4	17.7	33.5
GNP deflator ^(f)	8.3	10.4	11.2	14.0		
GDP deflator ^(f)	8.8	10.4	11.3	14.0	12.5	18.1
Nominal wage rate index for workers in all wages boards	2.3	7.8	2.1	21.4	5.6	33.2
Nominal wage rate index for central government employees	22.8	29.1	30.3	21.5	25.7	13.8
EXTERNAL TRADE						
Trade balance (US\$ million)	-2,243	-2,516	-3,370	-3,560	-1,603	-3,084
Exports	5,757	6,347	6,883	7,740	3,540	3,888
Imports	8,000	8,863	10,253	11,301	5,143	6,972
Terms of trade (percentage change)	-5.2	-4.2	-3.5	-1.0	1.0	-12.7
Export unit value index (1997 = 100)	4.0	3.3	4.2	4.8	4.2	8.4
Import unit value index (1997 = 100)	9.7	7.8	8.0	5.9	3.2	24.2
Export volume (percentage change)	7.8	6.7	4.1	7.3	8.3	1.4
Import volume (percentage change)	9.0	2.7	7.1	4.1	0.7	9.2
EXTERNAL FINANCE (US\$ million)						
Services and income account (net)	215	38	-132	-119	-197	-155
Current private transfers (net)	1,350	1,736	1,904	2,214	1,075	1,332
Current official transfers (net)	30	93	101	96	56	29
Current account balance	-648	-650	-1,499	-1,465	-802	-1,910
Overall balance	-205	501	204	531	192	390

(a) As reported by the Registrar General's Department.

(b) Data excluding both Mullaitivu and Kilinochchi districts for 2004.

(c) QLFS was conducted as a one-off survey in August 2005.

(d) Data excluding both Northern and Eastern Provinces for the period of 2005 - 2008.

(e) Data for the second Quarter.

(f) Data are based on GDP estimates compiled by the Department of Census and Statistics.

(g) Includes workers' remittances.

KEY ECONOMIC INDICATORS (contd..)

INDICATOR	2004	2005	2006	2007	First Half	
					2007 Actual	2008 Provisional
Current account balance (per cent of GDP) ^(f)	-3.1	-2.7	-5.3	-4.2	-2.0	-4.6
Total external assets (months of same year imports) ^(h)	4.6	5.3	4.3	4.8	4.6	4.5
Official external assets (months of same year imports) ^(h)	2.8	3.3	3.0	3.3	3.1	3.1
Overall debt service ratio						
As a percentage of export of goods and services	11.6	7.9	12.7	13.0	11.3	14.3
As a percentage of current receipt	9.4	6.3	9.8	9.9	8.7	10.6
Total external debt and liabilities (per cent of GDP) ^(f)	61.8	53.3	50.3	51.8	-	-
EXCHANGE RATES						
Annual average						
Rs/US\$	101.19	100.50	103.96	110.62	109.62	107.88
Rs/SDR	149.88	148.45	153.00	169.37	165.33	174.08
NEER(2006=100) (24- currency basket)	104.32	104.06	100.00	89.23	94.90	87.31
REER(2006=100) (24- currency basket) ⁽ⁱ⁾	90.60	97.66	100.00	100.07	99.84	106.81
End - year						
Rs/US\$	104.61	102.12	107.71	108.72	111.42	107.69
Rs/SDR	162.45	145.95	162.03	171.57	168.86	175.92
GOVERNMENT FINANCE (per cent of GDP) ^(f)						
Revenue	14.9	15.5	16.3	15.8	7.0	6.9
o/w Tax Revenue	13.5	13.7	14.6	14.2	6.4	6.1
Expenditure and net lending	22.8	23.8	24.3	23.5	10.9	10.5
Current expenditure	18.6	18.1	18.6	17.4	8.2	7.6
Capital expenditure and net lending	4.2	5.8	5.6	6.1	2.6	2.8
Current account deficit(-)/surplus(+)	-3.7	-2.6	-2.4	-1.6	-1.2	-0.8
Primary deficit(-)/surplus(+)	-2.2	-3.5	-2.9	-2.6	-1.5	-1.4
Overall deficit(-)/surplus(+)	-7.9	-8.4	-8.0	-7.7	-3.8	-3.6
Deficit financing	7.9	8.4	8.0	7.7	3.8	3.6
Foreign	2.2	3.3	2.5	3.7	1.5	1.1
Domestic	5.6	5.1	5.5	4.0 ^(j)	2.4	2.5
Privatization proceeds	0.1	-	-	-	-	-
Government debt ^(k)	102.3	90.6	87.8	85.0	77.8	71.8
Foreign	47.6	39.0	37.5	37.1	33.2	30.8
Domestic	54.7	51.6	50.3	47.9	44.6	41.0
MONETARY AGGREGATES (year -on-year percentage change)						
Reserve money	20.9	15.8	21.2	10.2	16.7	9.4
Narrow money (M ₁) ^(l)	16.6	22.4	12.6	2.7	8.9	5.5
Broad money (M _{2b}) ^(l)	19.6	19.1	17.8	16.6	19.3	13.6
Net foreign assets of the banking system	1.9	20.3	-15.0	33.2	-11.1	47.3
Net domestic assets of the banking system	25.0	18.7	25.9	13.8	25.9	8.5
Domestic credit from the banking system to						
Government (net) ^(m)	25.1	11.9	43.1	4.7	37.5	5.0
Public corporations	13.8	-59.5	89.3	55.8	150.0	-24.2
Private sector	22.1	21.5	24.0	19.3	24.5	12.2
Money multiplier for M _{2b}	5.02	5.16	5.02	5.31	5.22	5.42
Velocity of M _{2b} ^(f)	2.68	2.61	2.65	2.73	-	-
INTEREST RATES (per cent per annum at end year)						
Repurchase rate (overnight)	7.50	8.75	10.00	10.50	10.50	10.50
Reverse repurchase rate (overnight)	9.00	10.25	11.50	12.00	12.00	12.00
Treasury bill rate						
91 days	7.25	10.10	12.76	21.30	17.40	17.29
364 days	7.65	10.37	12.96	19.96	16.89	18.53
Deposit rates						
Commercial banks' Average Weighted Deposit Rate (AWDR)	5.31	6.24	7.60	10.31	8.86	10.92
Commercial banks' 12 month fixed deposit (max.)	9.75	11.50	14.00	20.00	17.00	19.00
NSB savings deposits	5.00	5.00	5.00	5.00	5.00	5.00
NSB 12 month fixed deposit	8.00	9.00	11.00	15.00	15.00	15.00
Lending rates						
Commercial Banks' Average Weighted Prime Lending Rate (AWPR)	10.23	12.24	15.19	17.95	16.20	19.07
Bills purchased & discounted	7.20 - 20.70	7.00 - 31.00	7.10-20.50	7.10-25.50	7.10-22.50	7.50-25.50
CAPITAL MARKET						
All Share Price Index (1985 = 100)	1,506.9	1,922.2	2,722.4	2,541.0	2,572.2	2457.8
Milanka Price Index (1998 Dec. = 1,000)	2,073.7	2,451.1	3,711.8	3,291.9	3,584.0	2988.8
Value of shares traded (Rs. million)	59,052.0	114,599.0	105,154.0	104,985.4	61,002.2	78,315.3
Net purchases by non nationals (Rs.million)	1,109.4	6,145.0	5,377.0	11,254.3	1,521.1	4,730.2
Market capitalisation (Rs.billion)	382.1	584.0	834.8	820.7	828.5	794.7

(h) Excluding ACU receipts.

(i) CCPI (2002 = 100) is used for REER computation.

(j) Payments to be made (Rs. 17,400 million) are also included in domestic financing.

(k) Data related to foreign debt has been adjusted to clear the arrears.

(l) Includes assets / liabilities of National Development Bank which merged with NDB Bank Ltd. with effect from August 2005.

(m) Restructuring bonds worth Rs.19,392.6 million, which were issued by the government to the two state banks, have been converted to Treasury bonds upon their maturity in October 2006. This amount, which previously appeared under other assets has been included in Net Credit to Government since October 2006.

CONTENTS

CHAPTERS	PAGES
1. Overview	1
2. National Output and Expenditure	9
3. Economic and Social Infrastructure	21
4. Prices, Wages and Employment	31
5. External Sector Developments	39
6. Fiscal Policy and Government Finance	47
7. Monetary Policy, Money, Credit and Interest Rates	57
8. Financial Sector Developments and Stability	65
APPENDIX 1 - Major Economic Policy Changes and Measures	75
APPENDIX 2 -	85
TABLE 1 - Gross Domestic Product by Industrial Origin at Current Prices of Major Economic Activities	86
TABLE 2 - Gross Domestic Product by Industrial Origin at Constant (2002) Prices of Major Economic Activities	87
TABLE 3 - Expenditure on Gross Domestic Product at Current Prices	88
TABLE 4 - Developments in Principal Agricultural Crops	89
TABLE 5 - Value Added in Industry (2002 Constant Prices)	90
TABLE 6 - Developments in Economic Infrastructure	91
TABLE 7 - Consumer Price Indices	92
TABLE 8 - Wage Rate Indices	93
TABLE 9 - Labour Force, Employment and Unemployment	94
TABLE 10 - Developments in External Trade	95
TABLE 11 - Balance of Payments	96
TABLE 12 - Exchange Rate Movements (Rupees Per Unit of Foreign Currency)	97
TABLE 13 - Government Fiscal Operations	98
TABLE 14 - Developments in Monetary Aggregates and Underlying Factors	99
TABLE 15 - Commercial Bank Advances by Purpose	100
TABLE 16 - Selected Interest Rates	100
TABLE 17 - Expansion of Commercial Banking Activities	101
TABLE 18 - Money and Capital Market Developments	101

