

# RECENT ECONOMIC DEVELOPMENTS

## Highlights of 2013 and Prospects for 2014



**CENTRAL BANK OF SRI LANKA**  
**NOVEMBER 2013**

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

Printed by: M.D.Gunasena and Company Printers (Private) Limited.

ISBN 978-955-575-276-3



*KEY ECONOMIC  
INDICATORS*



## KEY ECONOMIC INDICATORS

Indicator	2009	2010	2011	2012 (a)	First Half (a)	
					2012	2013
<b>DEMOGRAPHY</b>						
Mid-year population ('000 persons) (b)	20,450 (a)	20,653 (a)	20,869 (a)	20,328	-	-
Growth of population (per cent) (b)	1.1 (a)	1.0 (a)	1.0 (a)	n.a.	-	-
Population density (persons per sq.km) (b)	326 (a)	329 (a)	333 (a)	324	-	-
Labour force ('000 persons) (c)	8,051 (d)	8,096 (d)	8,544 (e)	8,454 (e)	8,254 (e)	8,864 (e)
Labour force participation rate (per cent) (c)	54.1 (d)	53.4 (d)	53.0 (e)	52.6 (e)	51.5 (e)	54.2 (e)
Unemployment rate (per cent of labour force) (c)	5.9 (d)	4.9 (d)	4.2 (e)	4.0 (e)	3.9 (e)	4.5 (e)
<b>OUTPUT</b>						
GDP at current market prices (Rs. billion)	4,835	5,604	6,544 (f)	7,582	3,534	4,042
GNP at current market prices (Rs. billion)	4,779	5,534	6,472 (f)	7,434	3,474	3,957
Per capita GDP at market prices (Rs.)	236,445	271,346	313,576 (f)	373,001	-	-
Per capita GNP at market prices (Rs.)	233,716	267,967	310,124 (f)	365,699	-	-
Per capita GDP at market prices (US\$)	2,057	2,400	2,836 (f)	2,923	-	-
Per capita GNP at market prices (US\$)	2,033	2,370	2,805 (f)	2,866	-	-
<b>REAL OUTPUT (percentage change)</b>						
GNP	4.8	7.9	8.4 (f)	5.5	5.9	5.9
GDP	3.5	8.0	8.2 (f)	6.4	7.2	6.3
Sectoral classification of GDP						
Agriculture	3.2	7.0	1.4 (f)	5.8	10.4	0.5
Industry	4.2	8.4	10.3 (f)	10.3	10.2	10.4
Services	3.3	8.0	8.6 (f)	4.6	5.1	5.5
<b>AGGREGATE DEMAND AND SAVINGS (per cent of GDP)</b>						
Consumption						
Private	82.1	80.7	84.6 (f)	83.0	-	-
Government	64.4	65.2	69.8 (f)	69.6	-	-
Investment						
Private	17.6	15.6	14.8 (f)	13.5	-	-
Government	24.4	27.6	30.0 (f)	30.6	-	-
Net exports of goods & services						
Exports of goods & services	6.6	6.2	6.3 (f)	6.9	-	-
Imports of goods & services	-6.5	-8.3	-14.6 (f)	-13.7	-	-
Domestic savings						
Exports of goods & services	21.3	22.4	23.1 (f)	22.8	-	-
Imports of goods & services	27.8	30.7	37.6 (f)	36.5	-	-
Domestic savings	17.9	19.3	15.4 (f)	17.0	-	-
Net factor income from abroad (g)	5.8	6.0	6.6 (f)	7.0	-	-
National savings	23.7	25.3	22.0 (f)	24.0	-	-
<b>PRICES AND WAGES (percentage change)</b>						
Colombo Consumers' Price Index (2006/07 = 100) - annual average (h)	3.5	6.2	6.7	7.6	5.8	8.6
Colombo Consumers' Price Index (2006/07 = 100) - year-on-year - end period (h)	5.0	6.8	4.9	9.2	9.3	6.8
Wholesale Price Index (1974 = 100) - annual average	-4.2	11.2	10.6	3.5	-0.2	11.0
GNP deflator	5.9	7.3	7.9 (f)	8.9	6.7	7.5
GDP deflator	5.9	7.3	7.9 (f)	8.9	6.7	7.5
Nominal wage rate index for workers in all wages boards - annual average	4.9	32.0	4.6	22.2	14.8	11.6
Nominal wage rate index for central government employees - annual average	9.4	3.3	6.7	6.9	6.8	5.3
<b>EXTERNAL TRADE</b>						
Trade balance (US\$ million)						
Exports	-3,122	-4,825	-9,710	-9,409	-4,904	-4,557
Imports	7,085	8,626	10,559	9,774	4,880	4,661
Imports	10,207	13,451	20,269	19,183	9,784	9,218
Terms of trade (percentage change)	-2.7	27.4	-8.9	-1.3	-5.8	1.9
Export unit value index (2010 = 100) (percentage change)	2.4	40.4	11.1	-7.1	-5.8	-3.6
Import unit value index (2010 = 100) (percentage change)	5.2	10.2	22.0	-5.8	0.0	-5.3
Export volume index (2010 = 100) (percentage change)	-14.7	-13.3	10.2	-0.4	2.1	-0.9
Import volume index (2010 = 100) (percentage change)	-31.2	19.6	23.6	0.5	5.4	-0.6
<b>EXTERNAL FINANCE</b>						
Services and income account (net) (US\$ million)						
Current private transfers (net) (US\$ million) (g)	-97	90	452	102	70	120
Current official transfers (net) (US\$ million)	2,927	3,608	4,583	5,339	2,633	2,850
Current account balance (US\$ million)	77	52	60	53	21	3
Overall balance (US\$ million)	-214	-1,075	-4,615	-3,915	-2,180	-1,583
Overall balance (US\$ million)	2,725	921	-1,061	151	-320	-169

(a) Provisional

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

(c) The working age population consists of the household population aged 15 and above.

(d) Data excludes the Northern Province

(e) Data covers the entire island

(f) Revised

(g) Includes workers' remittances

(h) The rebased CCPI (2006/07=100) has replaced CCPI (2002=100) from June 2011.

## KEY ECONOMIC INDICATORS (Contd.)

Indicator	2009	2010	2011	2012 (a)	First Half (a)	
					2012	2013
Current account balance (per cent of GDP)	-0.5	-2.2	-7.8	-6.6	-	-
Total international reserves (past 12 - month's average imports) (i)	8.3	7.7	4.7	5.4	4.6	5.1
Gross official reserves (past 12 - month's average imports) (i)	6.3	6.4	4.0	4.4	3.8	4.2
Overall debt service ratio (j)						
As a percentage of export of goods and services	22.4	16.7	12.7	21.2	14.7	25.7
As a percentage of current receipts	16.1	11.9	9.0	14.5	10.0	17.2
Total external debt and liabilities (per cent of GDP)	49.7	50.1	49.7	56.7	-	-
<b>EXCHANGE RATES</b>						
Annual average						
Rs/US\$	114.94	113.06	110.57	127.60	124.45	126.75
Rs/SDR (k)	177.22	172.50	174.54	195.38	191.05	191.87
NEER (2010 = 100) (24 - currency basket) (l)	99.85	100.00	99.84	90.44	92.21	91.96
REER (2010 = 100) (24 - currency basket) (l) (m)	97.35	100.00	101.84	95.80	96.27	100.91
Year end						
Rs/US\$	114.38	110.95	113.90	127.16	133.30	129.96
Rs/SDR (k)	178.67	170.84	174.87	195.31	202.30	195.46
<b>GOVERNMENT FINANCE (per cent of GDP)</b>						
Revenue and grants	15.0	14.9	15.0	14.1	7.1	5.6
Revenue	14.5	14.6	14.8	13.9	6.9	5.5
o/w Tax revenue	12.8	12.9	12.9	12.0	6.1	5.0
Grants	0.5	0.3	0.2	0.2	0.1	...
Expenditure and net lending	24.9	22.9	21.9	20.5	11.1	9.9
Current expenditure	18.2	16.7	15.7	14.9	7.8	6.8
Capital expenditure and net lending	6.7	6.1	6.2	5.6	3.3	3.1
Current account deficit (-) / surplus (+)	-3.7	-2.1	-0.9	-1.0	-0.9	-1.3
Primary deficit (-) / surplus (+)	-3.5	-1.7	-1.4	-1.1	-1.3	-1.8
Overall deficit (-) / surplus (+) (n)	-9.9	-8.0	-6.9	-6.4	-4.0	-4.3
Deficit financing	9.9	8.0	6.9	6.4	4.0	4.3
Foreign	4.8	4.4	3.3	3.8	1.6	1.7
Domestic	5.1	3.6	3.5	2.7	2.5	2.7
Government debt	86.2	81.9	78.5	79.1	79.3	75.0
Foreign	36.5	36.1	35.6	36.5	37.3	33.1
Domestic	49.7	45.8	42.9	42.6	42.0	41.8
<b>MONETARY AGGREGATES (year-on-year percentage change)</b>						
Reserve money	13.1	18.8	21.9	10.2	15.2	9.3
Narrow money (M <sub>1</sub> )	21.4	20.9	7.7	2.6	2.8	2.6
Broad money (M <sub>2b</sub> ) (o)	18.6	15.8	19.1	17.6	20.5	15.8
Net foreign assets of the banking system	417.2	-6.1	-74.0	-126.3	-125.7	-142.1
Net domestic assets of the banking system	-2.8	22.1	39.7	23.4	40.4	19.0
Domestic credit from the banking system to						
Government (net) (p)	9.9	-2.1	32.9	25.4	37.5	25.1
Public corporations	55.8	97.4	37.3	47.3	77.8	21.3
Private sector	-5.8	24.9	34.5	17.6	31.6	8.9
Money multiplier for M <sub>2b</sub> (end year)	5.95	5.80	5.67	6.05	5.98	6.34
Velocity of M <sub>2b</sub> (average for the year)	2.90	2.92	2.86	2.75	-	-
<b>INTEREST RATES (per cent per annum at year end)</b>						
Repurchase rate (overnight)	7.50	7.25	7.00	7.50	7.75	7.00
Reverse Repurchase rate (overnight)	9.75	9.00	8.50	9.50	9.75	9.00
Treasury bill yields						
91 day	7.73	7.24	8.68	10.00	11.12	8.66
364 day	9.33	7.55	9.31	11.69	12.88	10.66
Deposit rates						
Commercial banks' average weighted deposit rate (AWDR)	8.01	6.23	7.24	10.10	8.38	10.56
Commercial banks' 12 month fixed deposit rate (max.)	19.00	17.00	11.00	17.00	15.10	16.00
NSB savings rate	5.00	5.00	5.00	5.00	5.00	5.00
NSB 12 month fixed deposit rate	9.50	8.50	8.50	12.50	12.00	11.50
Lending rates						
Commercial banks' average weighted prime lending rate (AWPR)	10.91	9.29	10.77	14.40	13.39	12.09
Commercial banks' average weighted lending rate (AWLR)	17.41	14.80	13.44	15.98	14.88	16.14
<b>CAPITAL MARKET</b>						
All share price index (ASPI) (1985 = 100)	3,385.6	6,635.9	6,074.4	5,643.0	4,965.8	6,121.0
Milanka price index (MPI) (1998 Dec = 1,000)	3,849.4	7,061.5	5,229.2	5,119.1	4,383.2	-
S&P SL20 index (2004 Dec = 1,000) (q)	n.a	n.a	n.a	3,085.3	2,817.4	3,431.7
Value of shares traded (Rs. million)	142,463.0	570,327.0	546,256.0	213,827.0	116,853.9	120,270.6
Net purchases by non nationals (Rs. million)	-789.0	-26,335.0	-19,039.0	38,661.0	23,195.2	15,177.6
Market capitalisation (Rs. billion)	1,092.1	2,210.5	2,213.9	2,167.6	1,894.2	2,350.7
(i) Includes Asian Clearing Union balances.						
(j) Overall debt service ratios were reclassified to capture debt servicing of government, short-term debt (i.e. foreign holdings of Treasury bonds) in accordance with the External Debt Statistics manual (2003) of the IMF.						
(k) Special Drawing Rights (SDR), the unit of account of the International Monetary Fund (IMF)						
(l) Exchange rates have been defined in terms of indices so that the appreciation/depreciation of the rupee relative to other currencies is directly reflected by a rise/fall in the values of the effective exchange rate indices.						
(m) CCPI is used for the computation of the Real Effective Exchange Rate (REER). The REER is computed by adjusting Nominal Effective Exchange Rate (NEER) for inflation differentials with the countries whose currencies are included in the basket.						
(n) Grants are classified as a revenue item						
(o) Includes assets/ liabilities of National Development Bank, which merged with NDB Bank Ltd. With effect from August 2005.						
(p) Restructuring bonds worth Rs.19.4 billion, which were issued by the government to the two state banks, have been covered to Treasury bonds upon their maturity in October 2006. This amount, which previously appeared under other assets, as been included in net credit to government since October 2006.						
(q) With effect from 1 January 2013, the MPI was replaced by a newly introduced index, namely, S&P SL20 index. This index introduced on 27 June 2012 and its base period is 14 December 2004 = 1,000.						

---

## CONTENTS

---

CHAPTERS	PAGES
1. Overview	1
2. National Output and Expenditure	13
3. Economic and Social Infrastructure	29
4. Prices, Wages, Employment and Productivity	43
5. External Sector Developments and Policies	53
6. Fiscal Policy and Government Finance	65
7. Monetary Policy, Money, Credit and Interest Rates	77
8. Financial Sector Developments and Stability	91
<b>APPENDIX 1</b> - Major Economic Policy Changes and Measures	111
<b>APPENDIX 2</b> - Statistical Table	125
<b>TABLE 1</b> - Gross Domestic Product by Industrial Origin at Current Market Prices	126
<b>TABLE 2</b> - Gross Domestic Product by Industrial Origin at Constant (2002) Prices	127
<b>TABLE 3</b> - Expenditure on Gross Domestic Product at Current Market Prices	128
<b>TABLE 4</b> - Developments in Principal Agricultural Crops	129
<b>TABLE 5</b> - Value Added in Factory Industry (2002 Constant Prices)	130
<b>TABLE 6</b> - Foreign Direct Investment of BOI Enterprises by Sector	131
<b>TABLE 7</b> - Developments in Economic Infrastructure	132
<b>TABLE 8</b> - Consumer Price Indices	133
<b>TABLE 9</b> - Wage Rate Indices	134
<b>TABLE 10</b> - Labour Force, Employment and Unemployment	134
<b>TABLE 11</b> - Developments in External Trade	135
<b>TABLE 12</b> - Balance of Payments	136
<b>TABLE 13</b> - Exchange Rate Movements (Rupees per Unit of Foreign Currency)	137
<b>TABLE 14</b> - Government Fiscal Operations	138
<b>TABLE 15</b> - Developments in Monetary Aggregates and Underlying Factors	139
<b>TABLE 16</b> - Commercial Banks' Loans and Advances to the Private Sector	140
<b>TABLE 17</b> - Selected Interest Rates	141
<b>TABLE 18</b> - Expansion of Banking Activities	142
<b>TABLE 19</b> - Money and Capital Market Developments	142