

# RECENT ECONOMIC DEVELOPMENTS

## Highlights of 2014 and Prospects for 2015



**CENTRAL BANK OF SRI LANKA**  
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*KEY ECONOMIC INDICATORS*



## KEY ECONOMIC INDICATORS

Indicator	2010	2011	2012	2013 (a)	First Half (a)	
					2013	2014
<b>DEMOGRAPHY</b>						
Mid-year population ('000 persons) (b)	20,653 (a)	20,869 (a)	20,328 (a)(c)	20,483 (c)	-	-
Growth of mid- year population (per cent) (b)	1 (a)	1 (a)	0.9 (a)(c)	0.8 (c)	-	-
Population density (persons per sq.km.) (b)	329 (a)	333 (a)	324 (a)(c)	327 (c)	-	-
Labour force ('000 persons) (d)	8,108 (e)	8,555 (f)	8,454 (f)	8,802 (f)	8,864 (f)	8,770 (f)(g)
Labour force participation rate (per cent)	48.1 (e)	47.8 (f)	52.6 (f)	53.8 (f)	54.2 (f)	53.4 (f)(g)
Unemployment rate (per cent of labour force)	4.9 (e)	4.2 (f)	4.0 (f)	4.4 (f)	4.5 (f)	4.1 (f)(g)
<b>OUTPUT (h)</b>						
GDP at current market prices (Rs. billion)	5,604	6,543	7,579 (i)	8,674	4,045	4,591
GNP at current market prices (Rs. billion)	5,534	6,471	7,424 (i)	8,439	-	-
GDP at current market prices (US\$ billion)	49.6	59.2	59.4 (i)	67.2	31.9	35.2
GNP at current market prices (US\$ billion)	48.9	58.5	58.2 (i)	65.4	-	-
Per capita GDP at market prices (Rs.)	271,346	313,542	372,814 (i)	423,467	-	-
Per capita GNP at market prices (Rs.)	267,967	310,090	365,192 (i)	411,998	-	-
Per capita GDP at market prices (US\$)	2,400	2,836	2,922 (i)	3,280	-	-
Per capita GNP at market prices (US\$)	2,370	2,805	2,862 (i)	3,191	-	-
<b>REAL OUTPUT (percentage change) (h)</b>						
GNP	7.9	8.4	5.3 (i)	6.5	-	-
GDP	8.0	8.2	6.3 (i)	7.3	6.4	7.7
Sectoral classification of GDP						
Agriculture	7.0	1.4	5.2 (i)	4.7	1.2	3.1
Industry	8.4	10.3	10.3 (i)	9.9	10.4	12.4
Services	8.0	8.6	4.6 (i)	6.4	5.5	6.1
<b>AGGREGATE DEMAND AND SAVINGS (per cent of GDP) (h)</b>						
Consumption	80.7	84.6	83.1 (i)	80.0	-	-
Private	65.2	69.8	69.6 (i)	66.8	-	-
Government	15.6	14.8	13.5 (i)	13.1	-	-
Investment	27.6	29.9	30.6 (i)	29.6	-	-
Private	21.4	23.7	23.7 (i)	22.7	-	-
Government	6.2	6.3	6.9 (i)	6.9	-	-
Net exports of goods & services	-8.3	-14.6	-13.7 (i)	-9.5	-	-
Exports of goods & services	22.4	23.1	22.8 (i)	22.5	-	-
Imports of goods & services	30.7	37.6	36.5 (i)	32.0	-	-
Domestic savings	19.3	15.4	16.9 (i)	20.0	-	-
Net factor income from abroad (j)	6.0	6.7	7.0 (i)	5.7	-	-
National savings	25.3	22.1	24.0 (i)	25.7	-	-
<b>PRICES AND WAGES (percentage change)</b>						
Colombo Consumers' Price Index (2002 = 100) - annual average	5.9	-	-	-	-	-
Colombo Consumers' Price Index (2002 = 100) - year-on-year - end period	6.9	-	-	-	-	-
Colombo Consumers' Price Index (2006/07 = 100) - annual average (k)	6.2	6.7	7.6	6.9	8.6	4.9
Colombo Consumers' Price Index (2006/07 = 100) - year-on-year - end period (k)	6.8	4.9	9.2	4.7	6.8	2.8
Wholesale Price Index (1974 = 100) - annual average	11.2	10.6	3.5	9.2	11.0	5.6
GNP deflator (h)	7.3	7.9	8.9 (i)	6.7	-	-
GDP deflator (h)	7.3	7.9	8.9 (i)	6.7	7.5	5.4
Nominal wage rate index for workers in all wages boards - annual average	32.0	4.6	22.2	5.7	11.6	4.6
Nominal wage rate index for central government employees - annual average	3.3	6.7	6.9	5.0	5.3	6.9
<b>EXTERNAL TRADE</b>						
Trade balance (US\$ million)	-4,825	-9,710	-9,417	-7,609	-4,438	-3,546
Exports	8,626	10,559	9,774	10,394	4,656	5,439
Imports	13,451	20,269	19,190	18,003	9,094	8,985
Terms of trade (percentage change)	27.4	-8.9	-1.5	6.7	4.3	3.0
Export unit value index (2010 = 100) (percentage change)	40.4	11.1	-7.3	0.4	-1.2	2.8
Import unit value index (2010 = 100) (percentage change)	10.2	22.0	-5.8	-5.9	-5.3	-0.2
Export volume index (2010 = 100) (percentage change)	-13.3	10.2	-0.2	5.9	-3.4	13.6
Import volume index (2010 = 100) (percentage change)	19.6	23.6	0.5	-0.3	-1.8	-1.1
<b>EXTERNAL FINANCE (US\$ million)</b>						
Services and primary income account (net)	90	452	43	-638	-269	-101
Current private transfers (net)	3,608	4,583	5,339	5,619	2,639	2,948
Current official transfers (net)	52	60	53	21	7	22
Current account balance	-1,075	-4,615	-3,982	-2,607	-2,060	-677
Overall balance	921	-1,061	151	985	-169	1,954

(a) Provisional

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

(c) Based on Census of Population and Housing 2012, covering the entire island

(d) Household population aged 10 and above is considered for the calculation of labour force until 2011 and from 2012 onwards household population aged 15 and above is considered.

(e) Data excluding the Northern Province

(f) Data covers the entire island

(g) Data represents the first quarter of 2014

(h) Based on GDP estimates compiled by the Department of Census and Statistics

(i) Revised

(j) Includes workers' remittances

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

KEY ECONOMIC INDICATORS (Contd.)						
Indicator	2010	2011	2012	2013 (a)	First Half (a)	
					2013	2014
Current account balance (per cent of GDP) (l)	-2.2	-7.8	-6.7	-3.9	-	-
Total foreign assets (months of the same year imports) (m)	7.7	4.7	5.4	5.7	5.1	7.2
Gross official reserves (months of the same year imports)	6.4	4.0	4.4	5.0	4.2	6.1
Overall debt service ratio (n)						
As a percentage of export of goods and services	16.7	12.7	19.7	25.3	26.9	18.9
As a percentage of current receipts	11.9	9.0	13.5	17.6	26.6	18.7
Total external debt and liabilities (per cent of GDP) (l)	50.1	55.3	62.5	59.2	-	-
<b>EXCHANGE RATES</b>						
Period average						
Rs/US\$	113.06	110.57	127.60	129.11	126.75	130.59
Rs/SDR (o)	172.50	174.54	195.38	196.19	191.85	201.52
NEER (2010 = 100) (24 - currency basket) (p)	100.0	99.84	90.44	91.39	91.96	90.84
REER (2010 = 100) (24 - currency basket) (p) (q)	100.0	101.84	95.80	100.61	100.94	100.85
End Period						
Rs/US\$	110.95	113.90	127.16	130.75	129.96	130.30
Rs/SDR (o)	170.84	174.87	195.31	201.36	195.46	201.43
<b>GOVERNMENT FINANCE (per cent of GDP)</b>						
Revenue and grants	14.9	15.0	14.1	13.3	5.6	5.5
Revenue	14.6	14.8	13.9	13.1	5.6	5.4
o/w Tax revenue	12.9	12.9	12.0	11.6	5.1	4.9
Grants	0.3	0.2	0.2	0.2	...	0.1
Expenditure and net lending	22.9	21.9	20.5	19.2	10.0	9.2
Current expenditure	16.7	15.7	14.9	13.9	6.9	6.4
Capital expenditure and net lending	6.1	6.2	5.6	5.4	3.1	2.8
Current account deficit (-) / surplus (+)	-2.1	-0.9	-1.0	-0.8	-1.3	-1.0
Primary deficit (-) / surplus (+)	-1.7	-1.4	-1.1	-0.8	-1.8	-1.5
Overall deficit (-) / surplus (+) (s)	-8.0	-6.9	-6.5	-5.9	-4.3	-3.7
Deficit financing	8.0	6.9	6.5	5.9	4.3	3.7
Foreign	4.4	3.4	3.8	1.4	1.7	2.4
Domestic	3.6	3.5	2.7	4.5	2.7	1.3
Government debt	81.9	78.5	79.2	78.3	n.a.	n.a.
Foreign	36.1	35.6	36.5	34.1	n.a.	n.a.
Domestic	45.8	42.9	42.7	44.2	n.a.	n.a.
<b>MONETARY AGGREGATES (year-on-year percentage change)</b>						
Reserve money	18.8	21.9	10.2	0.9	9.3	1.5
Narrow money (M <sub>1</sub> )	20.9	7.7	2.6	7.7	2.6	16.9
Broad money (M <sub>2b</sub> )	15.8	19.1	17.6	16.7	15.8	13.3
Net foreign assets of the banking system	-6.1	-74.0	-126.3	-195.5	-142.1	196.8
Net domestic assets of the banking system	22.1	39.7	23.4	18.3	19.0	2.7
Domestic credit from the banking system to						
Government (net)	-2.1	32.9	25.4	24.5	25.1	9.0
Public corporations	97.4	37.3	47.3	24.8	21.3	4.5
Private sector	24.9	34.5	17.6	7.5	8.9	2.0
Money multiplier for M <sub>2b</sub> (end year)	5.80	5.67	6.05	7.00	6.34	7.08
Velocity of M <sub>2b</sub> (average for the year) (h)	2.92	2.86	2.75	2.71	-	-
<b>INTEREST RATES (per cent per annum at year end)</b>						
Standing Deposit Facility Rate (SDFR) (t)	7.25	7.00	7.50	6.50	7.00	6.50
Standing Lending Facility Rate (SLFR) (u)	9.00	8.50	9.50	8.50	9.00	8.00
Treasury bill yields						
91 - days	7.24	8.68	10.00	7.54	8.66	6.51
364 - days	7.55	9.31	11.69	8.29	10.66	6.99
Deposit rates						
Commercial banks' average weighted deposit rate (AWDR)	6.23	7.24	10.10	9.37	10.56	7.40
Commercial banks' average weighted fixed deposit rate (AWFDR)	8.20	8.95	13.21	11.78	13.61	8.96
NSB savings rate	5.00	5.00	5.00	5.00	5.00	5.00
NSB 12 - month fixed deposit rate	8.50	8.50	12.50	9.50	11.50	7.50
Lending rates						
Commercial banks' average weighted prime lending rate (AWPR)	9.29	10.77	14.40	10.13	12.09	7.91
Commercial banks' average weighted lending rate (AWLR)	14.80	13.44	15.98	15.18	16.14	13.83
<b>CAPITAL MARKET</b>						
All share price index (ASPI) (1985 = 100)	6,635.9	6,074.4	5,643.0	5,912.8	6,121.0	6,378.6
Milanka price index (MPI) (1998 Dec = 1,000)	7,061.5	5,229.2	5,119.1	-	-	-
S&P SL20 index (2004 Dec = 1,000) (r)	-	-	3,085.3	3,263.9	3,431.7	3,534.4
Value of shares traded (Rs. million)	570,327	546,256	213,827	200,468	120,271	115,741
Net purchases by non nationals (Rs. million)	-26,335	-19,039	38,661	22,783	14,428	5,891
Market capitalisation (Rs. billion)	2,210.5	2,213.9	2,167.6	2,459.9	2,350.7	2,673.0
(l) Based on GDP estimates in US dollars						
(m) Excludes foreign assets in the form of 'Direct investments abroad' and 'Trade credit and advances received'						
(n) 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 International Monetary Fund (IMF)						
(o) Special Drawing Rights (SDR), the unit of account of the IMF						
(p) 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 rates indices						
(q) 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						
(r) With effect from 1 January 2013, the MPI was replaced by a newly introduced index, namely, S&P SL 20 index. This index was introduced on 27 June 2012 and its base period is December 2004=1,000						
(s) Grants are classified as a revenue item						
(t) Repurchase rate was renamed as Standing Deposit Facility Rate (SDFR) with effect from 2 <sup>nd</sup> January 2014						
(u) Reverse Repurchase rate was renamed as Standing Lending Facility Rate (SLFR) with effect from 2 <sup>nd</sup> January 2014						

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