



CENTRAL BANK OF SRI LANKA

Recent Economic Developments

Highlights of 2006 and Prospects for 2007

November 2006



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Key Economic Indicators

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INDICATOR	2002	2003	2004	First Half		2005	2006 (a) Projections
				2005 Actual	2006 Provisional		
DEMOGRAPHY							
Mid year population ('000 persons)	19,007	19,252	19,462			19,668	19,884
Growth of mid year population (per cent)	1.5	1.3	1.1			1.1	1.1
Population density (persons per sq.km)	304	307	310			314	317
Labour force ('000 persons)	7,145	7,654(b)	8,061(c)		7,549(d)	8,141(e)	7,684
Labour force participation rate (per cent)	50.3	48.9(b)	48.6(c)		51.1(d)	48.3(e)	51.0
Unemployment rate (per cent of labour force)	8.8	8.4 (b)	8.3(c)		6.3(d)	7.7(e)	6.7
OUTPUT							
GDP at current market prices (Rs. billion)	1,582	1,761	2,029	1,127	1,317	2,366	2,759
GNP at current market prices (Rs. billion)	1,560	1,742	2,016	1,118	1,314	2,349	2,768
Per capita GDP at market prices (Rs.)	83,226	91,479	104,273			120,297	138,617
Per capita GNP at market prices (Rs.)	82,068	90,472	103,570			119,458	139,068
Per capita GDP at market prices (US\$)	870	948	1,030			1,197	1,340
Per capita GNP at market prices (US\$)	858	937	1,024			1,189	1,345
REAL OUTPUT (percentage change)							
GNP	4.1	6.6	5.3	4.3	8.5	5.5	7.4
GDP	4.0	6.0	5.4	5.3	8.0	6.0	7.0
Sectoral Classification of GDP							
Agriculture	2.5	1.6	-0.3	-1.5	7.1	1.4	4.8
Industry	1.0	5.5	5.2	8.2	6.1	8.3	6.3
Services	6.1	7.9	7.6	6.1	9.1	6.4	8.1
AGGREGATE DEMAND AND SAVINGS (per cent of GDP)							
Consumption	85.6	84.1	84.1	84.2	83.5	82.8	82.9
Private	76.8	76.2	76.0	74.6	74.8	74.5	74.0
Government	8.8	7.9	8.1	9.6	8.7	8.2	8.9
Investment	21.2	22.1	25.0	25.2	29.2	26.5	29.0
Private	16.5	16.8	19.8	18.2	20.8	19.6	22.8
Government	2.0	2.3	2.2	3.1	3.4	4.2	3.9
Public corporations	2.6	3.0	2.9	3.9	5.0	2.7	2.3
Net import of goods & non-factor services	-6.7	-6.2	-9.1	-9.4	-12.6	-9.3	-11.8
Export of goods & non-factor services	36.1	35.9	36.3	32.4	30.9	33.5	32.7
Import of goods & non-factor services	42.8	42.1	45.4	41.7	43.6	42.8	44.5
Domestic savings	14.4	15.9	15.9	15.8	16.5	17.2	17.1
Net factor income (f)	5.1	5.7	5.7	5.9	7.1	6.1	6.9
National savings	19.5	21.6	21.6	21.7	23.6	23.3	24.1
PRICES AND WAGES (percentage change)							
Colombo Consumers' Price Index (1952 = 100)	9.6	6.3	7.6	12.6	10.1	11.6	13.0
Colombo District Consumer Price Index (Oct. 1996 - Sep. 1997 = 100)	6.8	2.1	5.0	10.7	6.4	9.8	
Sri Lanka Consumers' Price Index (1995-1997 = 100)	10.2	2.6	7.9	14.4	6.1	10.6	8.6
Wholesale Price Index (1974 = 100)	10.7	3.1	12.5	18.0	7.2	11.5	
GNP deflator	8.4	5.1	9.3	12.9	8.6	10.1	9.0
GDP deflator	8.4	5.0	9.3	12.7	8.5	9.9	9.0
Nominal wage rate index for workers in all wages boards	7.4	7.0	2.3	4.7	5.3	7.8	
Nominal wage rate index for central government employees	16.3	0.0	22.8	29.6	27.4	29.1	
EXTERNAL TRADE							
Trade balance (US\$ million)	-1,406	-1,539	-2,243	-1,211	-1,793	-2,516	-3,617
Exports	4,699	5,133	5,757	2,906	3,162	6,347	6,922
Imports	6,105	6,672	8,000	4,118	4,955	8,863	10,539
Terms of trade (percentage change)	4.6	7.4	-5.2	-3.3	-3.1	-4.2	-3.5
Indices (1997=100, percentage change)							
Export unit value index	-4.1	5.5	4.0	4.6	5.0	3.3	5.1
Import unit value index	-8.3	-1.8	9.7	8.2	8.4	7.8	8.9
Export volume	2.2	3.5	7.8	6.6	3.6	6.7	4.0
Import volume	11.4	11.2	9.0	1.9	11.0	2.7	9.9
EXTERNAL FINANCE (US\$ million)							
Services and income account (net)	42	227	215	-50	19	36	29
Current private transfers (net)	1,097	1,205	1,350	843	1,067	1,735	2,110
Current official transfers (net)	31	36	30	47	28	93	65
Current account balance	-236	-71	-648	-372	-682	-652	-1,414
Overall balance	338	502	-205	174	146	501	150

Key Economic Indicators (Cont..)

INDICATOR	2002	2003	2004	First Half		2005	2006 (a) Projections
				2005 Actual	2006 Provisional		
Current account balance (per cent of GDP)	-1.4	-0.4	-3.2	-1.6	-2.6	-2.8	-5.3
Total External assets (months of same year imports) (g)	4.7	5.5	4.7	4.9	4.8	5.4	4.2
Overall debt service ratio							
As a percentage of export of goods and services	13.2	11.6	11.6	8.7	11.9	7.9	11.9
As a percentage of current receipt	10.8	9.4	9.4	6.9	8.9	6.3	9.1
Total external debt and liabilities (per cent of GDP)	62.4	64.6	63.7	-	-	55.4	52.2
EXCHANGE RATES							
Period average							
Rs./US\$	95.66	96.52	101.19	99.68	102.68	100.50	
Rs./SDR	123.93	135.23	149.88	150.22	149.59	148.45	
NEER(1999=100) (24- currency basket)	78.87	73.84	67.63	67.10	66.11	67.55	
REER(1999=100) (24- currency basket)	99.93	97.25	93.61	100.49	105.97	101.96	
End - Period							
Rs./US\$	96.73	96.74	104.61	100.01	103.98	102.12	
Rs./SDR	130.99	143.75	162.45	145.67	153.82	145.95	
GOVERNMENT FINANCE (per cent of GDP) (h)							
Revenue	16.5	15.7	15.4	7.5	7.5	16.1	17.4
o/w Tax Revenue	14.0	13.2	13.9	6.6	6.7	14.2	15.6
Expenditure and net lending	25.4	23.7	23.5	11.3	11.9	24.7	26.1
o/w Current expenditure	20.9	19.0	19.2	8.9	9.3	18.7	19.8
Capital expenditure and net lending	4.6	4.7	4.3	2.4	2.6	6.0	6.3
Current account deficit (-)/surplus(+)	-4.4	-3.3	-3.9	-1.4	-1.8	-2.7	-2.4
Primary deficit (-)/surplus(+)	-1.6	-0.9	-2.2	-1.5	-1.8	-3.6	-3.2
Overall deficit (-)/surplus(+)	-8.9	-8.0	-8.2	-3.9	-4.4	-8.7	-8.7
Deficit financing	8.9	8.0	8.2	3.9	4.4	8.7	8.7
Foreign	0.6	2.9	2.2	0.9	0.7	3.4	3.3
Domestic	8.0	4.5	5.8	3.0	3.7	5.2	5.5
Privatisation proceeds	0.4	0.6	0.1	-	-	-	-
Government debt	105.4	105.8	105.5	89.8	88.3	93.9	91.5
Foreign	45.6	47.9	49.1	38.7	37.3	40.4	38.9
Domestic	59.8	57.9	56.4	51.1	51.0	53.5	52.6
MONETARY AGGREGATES (Point to point percentage change)							
Reserve money	12.3	11.9	20.9	18.1	18.1	15.8	15.0
Narrow money (M ₁)	14.0	16.0	16.6	22.7	14.3	22.4	13.0
Broad money (M _{2b})	13.4	15.3	19.6	20.2	18.8	19.1	15.0
Net external assets of the banking system	49.3	51.0	1.9	11.6	7.4	20.3	13.8
Net domestic assets	7.8	7.6	25.0	22.6	21.7	18.7	15.3
Domestic credit from the banking system to							
Government (net)	-4.1	-11.0	25.1	22.5	16.2	11.9	2.0
Public corporations	5.4	15.9	13.8	-44.1	-23.8	-59.5	38.8
Private sector	12.0	16.9	22.1	20.7	24.5	21.5	18.1
Money multiplier for M _{2b}	4.92	5.08	5.02	5.08	5.11	5.16	5.16
Velocity of M _{2b}	2.69	2.65	2.61	-	-	2.53	2.50
INTEREST RATES (per cent per annum at end period)							
Repurchase rate (overnight)	9.75	7.00	7.50	8.25	9.00	8.75	
Reverse repurchase rate (overnight)	11.75	8.50	9.00	9.75	10.50	10.25	
Treasury bill rate							
91 days	9.92	7.35	7.25	9.01	10.16	10.10	
364 days	9.91	7.24	7.65	9.25	10.45	10.37	
Deposit rates							
Commercial banks' weighted average deposit	7.47	5.27	5.31	5.45	6.61	6.24	
Commercial banks' 12 month fixed deposit (max.)	11.00	7.75	9.75	8.00	12.50	11.50	
NSB savings deposits	6.00	5.00	5.00	5.00	5.00	5.00	
NSB 12 month fixed deposit	10.00	7.00	8.00	8.00	10.25	9.00	
Lending rates							
Com. Banks' weighted average prime lending	12.17	9.26	10.17	10.88	12.63	12.24	
Bills purchased & discounted	10.00-23.00	7.00 - 19.00	7.20 - 20.70	7.00-20.00	9.00-20.00	7.00 - 20.00	
CAPITAL MARKET							
All Share Price Index (1985 = 100)	815.1	1,062.1	1,506.9	1,897.8	2,114.4	1922.2	
Milanka Price Index (1998 Dec = 1,000)	1,374.6	1,897.8	2,073.7	2,681.6	2,729.0	2,451.1	
Value of shares traded (Rs. million)	30,183	73,629	59,052	51,059	44,238	114,599	
Net purchases by non-nationals (Rs. million)	2,442	209	1,109	38	2,384	6,145	
Market capitalisation (Rs. billion)	162.6	262.8	382.1	489.1	645.3	584.0	

(a) Provisional based on information available at end September 2006

(b) Up to 4th Quarter 2002, Quarterly Labour Force Survey (QLFS) coverage excludes both Northern and Eastern Provinces. Commencing from 1st Quarter 2003, the Eastern Province was included and only the Northern Province was excluded from the QLFS coverage.

(c) From 1st Quarter 2004, QLFS coverage includes both Northern and Eastern Provinces excluding Yavuniya, Mullaitivu and Killinochchi districts and all districts from 2nd Quarter 2004. However, both Mullaitivu and Killinochchi districts were excluded for 2004 annual estimates.

(d) Data excluding both Northern and Eastern Provinces

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

(f) Includes workers' remittances.

(g) Excluding ACU receipts

(h) For 2006, revised budget estimates in end October 2006 by the Ministry of Finance and Planning

CONTENTS

CHAPTERS

1. Overview	1
BOX 1 - Protection from High Oil Prices	7
2. National Output and Expenditure	9
3. Economic and Social Infrastructure	17
4. Prices, Wages and Employment	25
5. External Sector Developments	31
6. Fiscal Policy and Government Finance	37
7. Monetary Policy, Money, Credit and Interest Rates	43
8. Financial Sector Developments and Stability	59
Appendix 1 - Major Economic Policy Changes and Measures	55
Appendix 2 - Statistics	59
TABLE 1 : Gross Domestic Product at Current Factor Cost Prices	61
TABLE 2 : Gross Domestic Product at Constant (1996) Factor Cost Prices	62
TABLE 3 : Gross National Expenditure at Current Market Prices	63
TABLE 4 : Developments in Principal Agricultural Crops	64
TABLE 5 : Production of Factory Industries at 1990 Prices	65
TABLE 6 : Developments in Economic Infrastructure	66
TABLE 7 : Consumer Price Indices	67
TABLE 8 : Wage Rate Indices	68
TABLE 9 : Labour Force, Employment and Unemployment	68
TABLE 10 : Developments in External Trade	69
TABLE 11 : Balance of Payments	70
TABLE 12 : Exchange Rate Movements	71
TABLE 13 : Government Fiscal Operations	72
TABLE 14 : Developments in Monetary Aggregates and Underlying Factors	73
TABLE 15 : Commercial Bank Advances by Purpose	74
TABLE 16 : Selected Interest Rates	74
TABLE 17 : Expansion of Commercial Banking Activities	75
TABLE 18 : Money and Capital Market Developments	75

