

RECENT ECONOMIC DEVELOPMENTS

Highlights of 2005 and Prospects for 2006



CENTRAL BANK OF SRI LANKA
NOVEMBER 2005

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KEY ECONOMIC INDICATORS

Indicator	2001	2002	2003	2004	2005 Projections (a)	First Half	
						2004 Actual	2005 Provisional
DEMOGRAPHY							
Mid year population ('000 persons)	18,732	19,007	19,252	19,462	19,676		
Growth of mid year population (per cent)	1.4	1.5	1.3	1.1	1.1		
Population density (persons per sq.km.)	299	304	307	310	313		
Labour force ('000 persons) (b)	6,773	7,145	7,654	8,061	8,253	8,038	
Labour force participation rate (per cent) (b)	48.8	50.3	48.9	48.6	48.9	48.6	
Unemployment rate (per cent of labour force) (b)	7.9	8.8	8.4	8.3			
OUTPUT							
GDP at current market prices (Rs.billion)	1,407	1,582	1,761	2,029	2,356		
GNP at current market prices (Rs.billion)	1,382	1,560	1,742	2,017	2,346		
Per capita GDP at market prices (Rs.)	75,133	83,226	91,479	104,347	119,709		
Per capita GNP at market prices (Rs.)	73,789	82,068	90,472	103,682	119,185		
Per capita GDP at market prices (US\$)	841	870	948	1,031	1,191		
Per capita GNP at market prices (US\$)	826	858	937	1,025	1,185		
REAL OUTPUT (percentage change)							
GNP	-1.3	4.1	6.6	5.2	4.9	5.8	5.0
GDP	-1.5	4.0	6.0	5.4	5.3	5.9	5.1
Sectoral Classification of GDP							
Agriculture	-3.4	2.5	1.6	-0.7	-0.3	1.2	-2.1
Industry	-2.1	1.0	5.5	5.2	6.6	4.1	7.3
Services	-0.5	6.1	7.9	7.6	6.4	8.5	6.4
AGGREGATE DEMAND AND SAVINGS (per cent of GDP)							
Consumption	84.2	85.6	84.1	84.1	83.6		
Private	74.0	76.8	76.2	76.0	74.9		
Government	10.3	8.8	7.9	8.1	8.6		
Investment	22.0	21.2	22.1	25.0	26.6		
Private	16.2	16.5	16.8	19.8	21.1		
Government	3.0	2.0	2.3	2.2	2.7		
Public corporations	2.8	2.6	3.0	2.9	2.7		
Net import of goods & non factor services	-6.2	-6.7	-6.2	-9.1	-10.1		
Export of goods & non factor services	37.3	36.1	35.9	36.4	34.2		
Import of goods & non factor services	43.6	42.8	42.1	45.5	44.3		
Domestic savings	15.8	14.4	15.9	15.9	16.4		
Net factor income (c)	4.6	5.1	5.7	5.7	5.3		
National savings	20.3	19.5	21.6	21.6	21.7		
PRICES AND WAGES (percentage change)							
Colombo Consumers' Price Index (1952 = 100)	14.2	9.6	6.3	7.6	10-11	3.9	12.6
Colombo District Consumer Price Index (Oct. 1996 - Sep. 1997 = 100)	10.3	6.8	2.1	5.0		1.0	10.7
Sri Lanka Consumers' Price Index (1995-1997 = 100)	12.1	10.2	2.6	7.9		1.7	14.4
Wholesale Price Index (1974 = 100)	11.7	10.7	3.1	12.5		3.4	18.0(d)
GNP deflator	12.3	8.4	5.1	9.3	10.5	5.2	12.0
GDP deflator	12.4	8.4	5.0	9.2	10.3	5.1	11.9
Nominal wage rate index for workers in all wages boards	4.9	7.4	7.0	2.3		2.7	4.7
Nominal wage rate index for central government employees	20.8	16.3	0.0	22.8		9.8	29.6
EXTERNAL TRADE							
Trade balance (US\$ million)	-1,157	-1,406	-1,539	-2,243	-2,806	-1,126	-1,211
Exports	4,817	4,699	5,133	5,757	6,367	2,606	2,906
Imports	5,974	6,105	6,672	8,000	9,173	3,732	4,118
Terms of trade (percentage change)	-1.2	4.6	7.4	-5.2	-4.5	-5.1	-3.3
Export unit value index (1997 = 100)	-5.1	-4.1	6.4	4.0	3.7	2.5	4.6
Import unit value index (1997 = 100)	-4.0	-8.3	-1.0	9.7	8.6	8.0	8.2
Export volume (percentage change)	-8.1	2.2	3.5	7.8	6.7	6.9	6.6
Import volume (percentage change)	-10.3	11.4	11.2	9.0	5.6	12.3	1.9
EXTERNAL FINANCE (US\$ million)							
Services and income account (net)	-63	42	227	215	151	86	66
Current private transfers (net)	984	1,097	1,205	1,350	1,519	668	842
Current official transfers (net)	22	31	36	30	74	21	17
Current account balance	-215	-237	-71	-648	-1,063	-352	-285
Overall balance	220	338	502	-205	295	-223	174

KEY ECONOMIC INDICATORS (Cont..)

Indicator	2001	2002	2003	2004	2005 Projections (a)	First Half	
						2004 Actual	2005 Provisional
Current account balance (per cent of GDP)	-1.4	-1.4	-0.4	-3.3	-4.5	-1.8	-1.2
External assets (months of same year imports)	4.5	4.9	5.8	5.2	5.1	5.1	5.3
Overall debt service ratio							
As a percentage of export of goods and services	13.2	13.2	11.6	11.5	10.8	10.7	8.0
As a percentage of current receipt	10.9	10.8	9.4	9.3	8.7	8.5	6.3
Total external debt and liabilities (per cent of GDP)	60.3	62.4	64.1	65.0	55.7	-	-
EXCHANGE RATES							
Period average							
Rs/US\$	89.36	95.66	96.52	101.19		98.58	99.68
Rs/SDR	113.75	123.93	135.23	149.88		145.18	150.22
NEER(1999=100) (24- currency basket)	85.10	78.87	73.84	67.63		68.39	67.93
REER(1999=100) (24- currency basket)	99.19	99.33	97.25	93.73		95.86	101.99
End - Period							
Rs/US\$	93.16	96.73	96.74	104.61		102.31	100.01
Rs/SDR	116.97	130.99	143.75	162.45		150.01	145.67
GOVERNMENT FINANCE (per cent of GDP)							
Revenue	16.7	16.5	15.7	15.4	16.5	7.0	7.5
o/w Tax Revenue	14.8	14.0	13.2	13.9	14.7	6.4	6.6
Expenditure and net lending	27.5	25.4	23.7	23.5	24.6	11.1	11.3
o/w Current expenditure	21.6	20.9	19.0	19.2	19.2	8.8	8.9
Capital expenditure and net lending	5.9	4.6	4.7	4.3	5.4	2.4	2.4
Current account deficit (-)/surplus (+)	-4.9	-4.4	-3.3	-3.9	-2.7	-1.7	-1.4
Primary deficit	-4.1	-1.6	-0.9	-2.2	-3.1	-1.1	-1.5
Overall deficit	-10.8	-8.9	-8.0	-8.2	-8.2	-4.1	-3.9
Deficit financing	10.8	8.9	8.0	8.2	8.2	4.1	3.9
Foreign	1.4	0.5	2.9	2.2	2.8	0.6	0.9
Domestic	8.8	8.0	4.5	5.8	5.1	3.4	3.0
Privatisation proceeds	0.6	0.4	0.6	0.1	0.3	0.1	0.0
Government debt	103.2	105.4	105.8	105.5	98.0	97.9	90.6
Foreign	45.3	45.6	47.9	49.1	44.1	44.4	39.1
Domestic	58.0	59.8	57.9	56.4	53.9	53.5	51.5
MONETARY AGGREGATES (Point to point percentage change)							
Reserve money	7.0	12.3	11.9	20.9	15.0	15.6	19.0
Narrow money (M ₁)	3.2	14.0	16.0	16.6	13.0	19.4	22.7
Broad money (M _{2b})	13.6	13.4	15.3	19.6	15.0	16.0	20.2
Net external assets of the banking system	6.6	49.3	51.0	1.9	12.4	23.5	11.6
Net domestic assets	14.8	7.8	7.6	25.0	15.6	14.1	22.6
Domestic credit from the banking system to							
Government (net)	36.7	-4.1	-8.7	25.1	6.8	5.6	22.5
Public corporations	6.7	5.4	-15.9	13.8	-37.2	-1.5	-44.1
Private sector	8.9	12.0	16.9	22.1	18.1	20.4	20.7
Money multiplier for M _{2b}	4.88	4.92	5.08	5.02	5.02	5.03	5.08
Velocity of M _{2b}	2.76	2.70	2.65	2.61	2.55	-	-
INTEREST RATES (per cent per annum at end Period)							
Repurchase rate (overnight)	12.00	9.75	7.00	7.50		7.00	8.25
Reverse repurchase rate (overnight)	14.00	11.75	8.50	9.00		8.50	9.75
Treasury bill rate							
91 days	12.92	9.92	7.35	7.25		7.80	9.01
364 days	13.74	9.91	7.24	7.65		7.75	9.25
Deposit rates							
Commercial banks' weighted average deposit	10.78	7.47	5.27	5.31		4.84	5.45
Commercial banks' 12 month fixed deposit (max.)	14.50	11.00	7.75	9.75		8.25	9.75
NSB savings deposits	8.40	6.00	5.00	5.00		5.00	5.00
NSB 12 month fixed deposits	13.00	10.00	7.00	8.00		7.00	8.00
Lending rates							
Com.Banks' weighted average prime lending	14.31	12.24	9.26	10.23		9.59	10.88
Bills purchased & discounted	13.00 - 24.00	10.00 - 23.00	7.00 - 19.00	7.25 - 20.75		8.75-20.00	7.00-30.00
CAPITAL MARKET							
All Share Price Index (1985 = 100)	621.0	815.1	1,062.1	1,506.9		1,358.5	1,897.8
Milanka Price Index (1998 Dec = 1,000)	1,031.0	1,374.6	1,897.8	2,073.7		2,069.1	2,681.6
Value of shares traded (Rs.million)	13,905	30,183	73,832	59,052		24,845	51,142
Net purchases by non nationals (Rs.million)	-1,025	2,442	209	1,109		550	40
Market capitalisation (Rs.billion)	124.0	162.6	262.8	382.1		332.4	489.1

(a) Provisional based on information available at end July 2005

(b) Upto 2002 data excluded both Northern and Eastern Provinces. In 2003, Eastern province was included and only Northern province was excluded from the survey. From 2nd quarter 2004 data include all districts.

(c) Includes workers' remittances.

(d) As at May 2005