# **CENTRAL BANK OF SRI LANKA**



# **ANNUAL REPORT**

OF THE MONETARY BOARD TO THE HON. MINISTER OF FINANCE

FOR THE YEAR

2013

#### ISBN 978-955-575-288-6

#### ISSN 1391-359X

#### Price per copy

Counter sales – Rs. 400 per copy

Despatch by ordinary mail – Rs. 670 per copy

Despatch by registered mail – Rs. 695 per copy

#### Despatch abroad

Air mail (1st Class) - US \$ 40 per copy (Registered post)

Air mail (2nd Class) - US \$ 35 per copy (Registered post)

Sea mail - US \$ 25 per copy (Registered post)



## Ajith Nivard Cabraal The Governor

#### Central Bank of Sri Lanka

30, Janadhipathi Mawatha Colombo 01, Sri Lanka.

March 31, 2014

His Excellency Mahinda Rajapaksa President of Sri Lanka and Minister of Finance and Planning Presidential Secretariat Colombo 01.

Your Excellency,

## **Annual Report 2013**

Section 35 of the Monetary Law Act (Chapter 422) requires the Monetary Board of the Central Bank of Sri Lanka to submit an Annual Report to the Minister of Finance on the state of the economy, the condition of the Central Bank and a review of the policies and measures adopted by the Monetary Board, within four months after the end of each financial year.

The Sixty Fourth Annual Report of the Monetary Board of the Central Bank, in respect of the year 2013, is submitted herewith in fulfilment of this obligation.

Yours sincerely,

Aich Now Come

# CENTRAL BANK OF SRI LANKA THE MONETARY BOARD

#### AJITH NIVARD CABRAAL

Governor

#### P. B. JAYASUNDERA

Secretary to the Ministry of Finance and Planning

#### MRS. M. RAMANATHAN

Appointed Member

#### **NIMAL WELGAMA**

Appointed Member

#### N. A. UMAGILIYA

Appointed Member

#### PRINCIPAL OFFICERS AS AT 31 December 2013

### **Deputy Governors**

B. D. W. ANANDA SILVA P. NANDALAL WEERASINGHE

#### **Assistant Governors**

P. SAMARASIRI

(Secretary to the Monetary Board)

MRS. J. P. MAMPITIYA

W. M. HEMACHANDRA

S. LANKATHILAKE

C. J. P. SIRIWARDANA

MRS. R. DHEERASINGHE

A. KAMALASIRI

K. D. RANASINGHE (On Release)

S. S. RATNAYAKE

#### **DEPARTMENTAL HEADS**

**Bank Supervision Department** 

MRS. T. M. J. Y. P. FERNANDO - Director

S. K. RANASINGHE - Additional Director

**Centre for Banking Studies** 

C. P. A. KARUNATILAKE - Director

T. D. H. KARUNARATHNA - Additional Director

**Communications Department** 

S. J. A. HANDAGAMA - Director

T. M. Z. MUTALIPH - Additional Director

**Currency Department** 

J. P. R. KARUNARATNE - Superintendent

MRS. H. P. T. WIJESURIYA - Additional Superintendent MISS. S. H. GUNAWARDENA - Additional Superintendent

**Domestic Operations Department** 

R. A. A. JAYALATH - Director

D. A. G. K. WIJETUNGA - Additional Director

**Economic Research Department** 

MRS. S. GUNARATNE - Director

MRS. Y. M. INDRARATNE - Additional Director
D. KUMARATUNGE - Additional Director

**Employees' Provident Fund Department** 

P. W. D. N. R. RODRIGO - Superintendent

MRS. C. M. D. N. K. SENEVIRATNE - Additional Superintendent

**Exchange Control Department** 

P. H. O. CHANDRAWANSA - Controller of Exchange

R. R. JAYARATNE - Additional Controller of Exchange

**Facilities Management Department** 

U. H. E. SILVA - Director

H. SRIYARATNE - Additional Director

**Finance Department** 

M. I. SUFIYAN - Chief Accountant

P. V. L. NANDASIRI - Additional Chief Accountant

**Financial Intelligence Unit** 

D. M. RUPASINGHE - Director

D. K. WIJESURIYA - Additional Director

**Financial Stability Studies Department** 

H. P. G. S. RATNASIRI - Additional Director

**Governor's Secretariat Department** 

MRS. K. DASSANAYAKE - Director

**Human Resources Department** 

MRS. K. GUNATILAKE - Director

W. R. A. DHARMARATNE - Additional Director

**Information Technology Department** 

MRS. R. A. S. M. DAYARATHNA - Director

C. B. PATHBERIYA - Additional Director

**Internal Audit Department** 

A. M. N. GUNAWARDANA - Director

L. D. D. Y. PERERA - Additional Director

**International Operations Department** 

H. A. KARUNARATNE - Director

A. A. M. THASSIM

- Additional Director

C. N. WIJAYASEKERA

- Additional Director

**Payments and Settlements Department** 

MRS. R. B. WEERASINGHE - Director

A. J. L. PEIRIS - Additional Director

**Policy Review and Monitoring Department** 

MISS. K. SARAVANAMUTTU - Director

**Provincial Offices Monitoring Department** 

H. AMARATHUNGA - Director

V. BASKARAN - Additional Director

**Public Debt Department** 

N. W. G. R. D. NANAYAKKARA - Superintendent and Registrar MRS. U. L. MUTHUGALA - Additional Superintendent

**Regional Development Department** 

M. J. S. ABEYSINGHE - Director

M. S. K. DHARMAWARDENA - Additional Director
A. M. R. K. ATTANAYAKE - Additional Director

**Secretariat Department** 

D. WASANTHA - Secretary

B. W. JINASENA - Additional Secretary

**Security Services Department** 

S. WANIGASEKERA - Director

B. L. J. S. BALASOORIYA - Additional Director (On Study Leave)

**Staff Services Management Department** 

E. A. HETTIARACHCHI - Director

T. W. ARIYARATNE - Additional Director

**Statistics Department** 

A. R. K. WIJESEKERA - Director

T. H. B. SARATHCHANDRA - Additional Director

**Supervision of Non-Bank Financial Institutions Department** 

H. M. EKANAYAKE - Director

H. B. D. KARUNARATNE - Additional Director MRS. N. H. E. R. SIRIWARDENA - Additional Director

#### **AUDITOR**

H. A. S. SAMARAWEERA Auditor-General

## **CONTENTS**

# PART I

						Page
1. ECO	NOMIC, PRICE AND FINANCIAL SYSTEM STABILITY, OUTL	OOK AND	POLICIES			
1.1	Overview					1
1.2	Macroeconomic Developments, Stability and Policy Responses	in 2013	•••	•••		6
	Real Sector Developments and Inflation					6
	External Sector Developments			•••		10
	Fiscal Sector Developments					14
	Monetary Sector Developments					15
	Financial Sector Developments					17
1.3	Global Economic Environment and Outlook					19
1.4	Medium Term Macroeconomic Outlook					24
1.5	Issues and Policies					26
2 NATI	ONAL OUTPUT AND EXPENDITURE					
2.1	Overview	•••	•••	•••		37
2.2	Sectoral Output, Policies, Institutional Support and Issues					40
	Agriculture					40
	Paddy		•••	•••	•••	40
	Tea				• • •	41
	Rubber		•••	•••	•••	42
	Coconut				• • •	42
	Minor Export Crops	•••	•••	•••	•••	43
	Other Field Crops	•••	•••	•••		43
	Vegetables	•••	•••	•••	•••	44
	Sugar Fisheries	•••	•••	•••	•••	44 44
	Livestock		•••	•••	• • • •	45
			•••	•••	• • • •	45 46
	Forestry Agricultural Policies and Institutional Support	•••	•••	•••		46
	Industry	•••	•••	•••	•••	50
	Mining and Quarrying	•••	•••	•••	•••	50
	Manufacturing	•••	•••	•••	•••	51
	Processing	•••	•••	•••		51
	Factory Industry					51
	Factory Industry Production Index (FIPI)					51
	Industrial Policies and Institutional Support					54
	Cottage Industry					58
	Electricity, Gas and Water					59
	Construction					59
	Services					62
	Wholesale and Retail Trade					62
	Transport and Communication					63
	Hotels and Restaurants					64
	Banking, Insurance and Real Estate					65
	Government Services					65
	Private Services					65
2.3	Expenditure					65
	Consumption					66
	Investment					68
	Availability and Utilisation of Resources					71
	Savings					72
0 500	NOME AND COCIAL INFRACTRUCTURE					
3. ECO	NOMIC AND SOCIAL INFRASTRUCTURE					
3.1	Overview					73
3.2	Economic Infrastructure Policies, Institutional Framework and P	erformance				75

						Page
	Communication Services					75
	Energy	•••		•••	•••	77
	Electricity Petroleum	•••	•••		•••	77 80
	Oil Exploration					82
	Transportation					82
	Road Development					83
	Road Passenger Transportation					84
	Rail Transportation					86
	Civil Aviation					87
	Port Services Water Supply and Irrigation		•••	•••	•••	88 91
3.3	Social Infrastructure Policies, Institutional Framework and Pe		•••	•••		92
0.0	Health					92
	Education	•••				95
	Housing and Urban Development					97
	Safety Nets and Poverty Alleviation		•••		•••	100
	Environment	•••	•••	•••	•••	101
4. PR	ICES, WAGES, EMPLOYMENT AND PRODUCTIVITY					
4.1	Overview					103
4.2	Prices					104
	Price Movements and Contributory Factors			•••		104
	Colombo Consumers' Price Index (CCPI) GDP Deflator	•••	•••	•••	•••	104 109
4.3	Wages					109
	Public Sector Wages					109
	Formal Private Sector Wages					110
4.4	Informal Private Sector Wages	•••	•••	•••	•••	111
4.4	Population, Labour Force and Employment Population		•••	•••	•••	112 112
	Labour Force					113
	Employment					113
	Unemployment			•••		115
	Foreign Employment Labour Relations and Labour Market Reforms	•••	•••	•••	•••	116 119
	Labour Productivity					120
	·					
	RNAL SECTOR DEVELOPMENTS AND POLICIES					
5.1	Overview			•••		123
5.2 5.3	External Trade Policies and Institutional Support Trade in Goods, Trade Balance, Terms of Trade and Directi	 ion of Trade	•••	•••	•••	125 129
5.0	Export Performance					129
	Import Performance					131
	Trade Balance					134
	Terms of Trade	•••	•••	•••	•••	134 136
5.4	Direction of Trade Current and Capital Account	•••	•••	•••		136 137
5.4	Trade in Services					137
	Transport Services					137
	Travel and Tourism					138
	Telecommunications, Computer and Information		•••	•••		140 143
	Primary Income Secondary Income					143
5.5	Current Account Balance					144
5.6	Capital Account Balance					144
5.7	Financial Account					144
	Direct Investment	•••		•••		145
	Portfolio Investment Equity and Investment Fund Shares		•••	•••	•••	146 146
	Debt Securities	•••	•••	•••	•••	146
	Deni Jecolilles	•••	•••	•••	•••	140

						Page
	Other Investment					146
	Currency and Deposits					146
	Loans					146
	Trade Credit and Other Accounts					
	Receivable/Payable			•••	•••	148
<i>F</i> 0	Reserve Assets	•••	•••	•••	•••	148
5.8 5.9	Balance of Payments International Investment Position (IIP)	•••	•••	•••	•••	149 149
3.7	Direct Investment Position	•••	•••	•••	•••	149
	Portfolio Investment Position					151
	Other Investment Position					152
	Currency and Deposits					152
	Loans					152
	Trade Credit and Advances					152
	Other Accounts Receivable/Payable					152
	Special Drawing Rights			•••	•••	153
<i>-</i> 10	Reserve Asset Position	•••	•••	•••	•••	153
5.10	External Debt and Debt Servicing External Debt	•••	•••	•••	•••	154 154
	Foreign Debt Service Payments	•••	•••	•••	•••	155
5.11	Exchange Rate Movements					156
0.11	Nominal and Real Effective Exchange Rates					157
	Developments in the Domestic Foreign Exchange Market					157
6. FISC	AL POLICY AND GOVERNMENT FINANCE					
6.1	Overview					159
6.2	Fiscal Policy Direction and Measures					160
6.3	Government Budgetary Operations					166
	Revenue and Grants					166
	Revenue					166
	Grants				•••	169
	Expenditure and Net Lending			•••	•••	169
	Key Fiscal Balances	•••	•••	•••	•••	174
6.4	Financing the Budget Deficit Government Debt and Debt Service Payments	•••	•••	•••	•••	174 176
0.4	Government Debt	•••	•••	•••	•••	176
	Debt Service Payments					179
6.5	Budgetary Operations in Sub National Governments					180
	Policy Direction and Measures of Sub National Governme					180
	Budgetary Operations in Provincial Councils					181
7. MON	IETARY POLICY, MONEY, CREDIT AND INTEREST RATES					
7.1	Overview					183
7.2	Monetary Policy				•••	184
7.3	Developments in Money and Credit			•••	•••	188
	Money Market Liquidity	•••	•••	•••	•••	188
	Reserve Money Narrow Money (M₁)	•••	•••	•••	•••	189 191
	Broad Money (M <sub>2b</sub> )	•••	•••	•••	•••	191
	Broad Money ( $M_{2b}$ )					195
7.4	Interest Rates					197
	Money Market Rates					197
	Deposit and Lending Rates					197
	Yield Rates on Government Securities					199
_ =	Yield Rates on Corporate Debt Securities	•••				200
7.5	Future Developments, Challenges and Outlook				•••	200
Q FINIA	NCIAL SECTOR PERFORMANCE AND SYSTEM STABILITY					
o. FINA	INCIAL SECTOR TERI ORMAINCE AIND STSTEM STABILITY					
8.1	Overview					203
8.2	Performance of Financial Institutions					206

						Page
	Banking Sector					206
	Business Expansion					207
	Assets and Liabilities					207
	Risks in the Banking Sector					208
	Resources					210
	Licensed Finance Companies (LFCs) and Specialise	d				
	Leasing Companies (SLCs)					212
	Business Expansion					213
	Assets and Liabilities					213
	Risk Management					214
	Resources					215
	Primary Dealers in Government Securities					216
	Risk Management					217
	Market Participation					218
	Unit Trusts					218
	Insurance Companies					219
	Superannuation Funds	•••				222
8.3	Performance of Financial Markets					223
	Money Market					223
	Domestic Foreign Exchange Market					224
	Government Securities Market	•••		•••		225
	Corporate Debt Securities Market	•••				226
	Commercial Paper	•••	•••	•••	•••	226
	Corporate Bonds	•••	•••	•••	•••	226
0.4	Equity Market	•••				226
8.4	Development Finance and Access to Finance	•••	•••	•••	•••	228
8.5	Financial Infrastructure	•••	•••	•••	•••	230
	Payment and Settlement Systems  Credit Information	•••		•••	•••	230 232
	Credii information	•••	•••	•••	•••	232
PART	Ш					
ACC	Ounts and Operations of the Central Bank of	SRI LANKA				1-101
PART	· III					
MAJO	DR ADMINISTRATIVE MEASURES ADOPTED BY THE MON	NETARY BOARD	) IN 2013			1-103
PART	IV					
173101						
	DR LEGISLATIVE ENACTMENTS OF 2013 RELATING TO TRATIONS OF THE CENTRAL BANK AND BANKING INSTITUTE.					1-48
STAT	ISTICAL APPENDIX					
SPEC	CIAL STATISTICAL APPENDIX					

# PART I – TABLES

						Page
1. ECON	NOMIC, PRICE AND FINANCIAL SYSTEM STABILITY, OUTLO	OOK AND P	OLICIES			
1.1	Gross National Product by Industrial Origin at Constant (2002	) Prices				7
1.2	Aggregate Demand and Savings Investment Gap					9
1.3	External Sector Developments					11
1.4	Global Economic Developments and Outlook					20
1.5	Medium-term Macroeconomic Framework					25
2. NATIO	ONAL OUTPUT AND EXPENDITURE					
2.1	Sectoral Composition and Increase in Gross Domestic Product					
	by Industrial Origin at Constant (2002) Prices					38
2.2	Paddy Sector Statistics					41
2.3	Agriculture Production Index (2007-2010=100)					41
2.4	Trends in Principal Agricultural Crops					42
2.5	Fish Production					45
2.6	Livestock Sector Statistics					45
2.7	Factory Industry Production Index (FIPI) 2010=100					52
2.8	Aggregate Demand					66
2.9	Composition of Private Consumption Expenditure at Current M	arket Prices				67
2.10	Investment and Employment in Enterprises Registered Under Bo	oard of				
	Investment of Sri Lanka (BOI) and Ministry of Industry and Com	merce (MIC)				70
2.11	Total Resources and Their Uses at Current Market Prices					71
2.12	Consumption, Investment and Savings at Current Market Prices	S				72
3. ECON	NOMIC AND SOCIAL INFRASTRUCTURE					
3.1	Coverage est lavorates est in Infrastructure					74
3.1	Government Investment in Infrastructure	•••	••••		•••	/4
3.2	Major Ongoing and Recently Completed Infrastructure Development Projects					74
3.3	Telecommunication Sector Performance	•••			•••	74 76
3.4	Electricity Sector Performance		•••		•••	78
3.5	Petroleum Sector Performance	•••	•••		•••	81
3.6	Salient Features of the Transport Sector	•••	•••	•••	•••	87
3.7	·	• • •				
	Portormanco et Port Services					
	Performance of Port Services  Water Supply & Drainage Board				•••	89
3.8	Water Supply by National Water Supply & Drainage Board	•••				89 92
3.8 3.9	Water Supply by National Water Supply & Drainage Board Salient Features of Health Services					89 92 93
3.8 3.9 3.10	Water Supply by National Water Supply & Drainage Board Salient Features of Health Services Salient Features of General and University Education .					89 92
3.8 3.9	Water Supply by National Water Supply & Drainage Board Salient Features of Health Services Salient Features of General and University Education . Samurdhi Welfare Programme - Number of Beneficiary Familie	  es	  			89 92 93 96
3.8 3.9 3.10 3.11	Water Supply by National Water Supply & Drainage Board Salient Features of Health Services Salient Features of General and University Education . Samurdhi Welfare Programme - Number of Beneficiary Familie and Value of Grants					89 92 93
3.8 3.9 3.10 3.11	Water Supply by National Water Supply & Drainage Board Salient Features of Health Services Salient Features of General and University Education . Samurdhi Welfare Programme - Number of Beneficiary Familie	  es	  			89 92 93 96
3.8 3.9 3.10 3.11	Water Supply by National Water Supply & Drainage Board Salient Features of Health Services Salient Features of General and University Education . Samurdhi Welfare Programme - Number of Beneficiary Familie and Value of Grants	  es	  			89 92 93 96
3.8 3.9 3.10 3.11	Water Supply by National Water Supply & Drainage Board Salient Features of Health Services Salient Features of General and University Education . Samurdhi Welfare Programme - Number of Beneficiary Familie and Value of Grants  S, WAGES, EMPLOYMENT AND PRODUCTIVITY	  				89 92 93 96
3.8 3.9 3.10 3.11 <b>4. PRICE</b>	Water Supply by National Water Supply & Drainage Board Salient Features of Health Services Salient Features of General and University Education . Samurdhi Welfare Programme - Number of Beneficiary Familie and Value of Grants  S, WAGES, EMPLOYMENT AND PRODUCTIVITY Changes in Price Indices					89 92 93 96 101
3.8 3.9 3.10 3.11 <b>4. PRICE</b> 4.1 4.2	Water Supply by National Water Supply & Drainage Board Salient Features of Health Services Salient Features of General and University Education . Samurdhi Welfare Programme - Number of Beneficiary Familie and Value of Grants  S, WAGES, EMPLOYMENT AND PRODUCTIVITY  Changes in Price Indices Contribution to Annual Average Inflation by Sub-category					89 92 93 96 101
3.8 3.9 3.10 3.11 <b>4. PRICE</b> 4.1 4.2 4.3	Water Supply by National Water Supply & Drainage Board Salient Features of Health Services Salient Features of General and University Education . Samurdhi Welfare Programme - Number of Beneficiary Familie and Value of Grants  S, WAGES, EMPLOYMENT AND PRODUCTIVITY  Changes in Price Indices Contribution to Annual Average Inflation by Sub-category Retail Prices of Key Imported and Domestically Produced Items					89 92 93 96 101 105 106 107
3.8 3.9 3.10 3.11 <b>4. PRICE</b> 4.1 4.2 4.3 4.4	Water Supply by National Water Supply & Drainage Board Salient Features of Health Services Salient Features of General and University Education . Samurdhi Welfare Programme - Number of Beneficiary Familie and Value of Grants  S, WAGES, EMPLOYMENT AND PRODUCTIVITY  Changes in Price Indices Contribution to Annual Average Inflation by Sub-category Retail Prices of Key Imported and Domestically Produced Items Revisions to Key Items with Administered Prices (2011-2013)					89 92 93 96 101 105 106 107 108
3.8 3.9 3.10 3.11 <b>4. PRICE</b> 4.1 4.2 4.3 4.4 4.5	Water Supply by National Water Supply & Drainage Board Salient Features of Health Services Salient Features of General and University Education . Samurdhi Welfare Programme - Number of Beneficiary Families and Value of Grants  S, WAGES, EMPLOYMENT AND PRODUCTIVITY  Changes in Price Indices Contribution to Annual Average Inflation by Sub-category Retail Prices of Key Imported and Domestically Produced Items Revisions to Key Items with Administered Prices (2011-2013) Sectoral Deflators and GDP Deflator					89 92 93 96 101 105 106 107 108 109

						Dago
4.0						Page
4.9	Household Population, Labour Force and Labour Force Particip	oation	•••	•••	•••	113
4.10	Employment by Economic Activity	•••	•••	•••	•••	114
4.11	Status of Employment	•••	•••	•••	•••	114
4.12	Public Sector Employment					115
4.13	Unemployment Rate (Unemployed as a percentage of Labour F	orce)				116
4.14	Departures for Foreign Employment					117
4.15	Foreign Employment Departures by Destination					118
4.16	Strikes in Private Sector Industries					119
4.17	Labour Productivity by Major Economic Sector					120
7.17	Edboor Productivity by Major Economic Sector	•••			•••	120
5. EXTER	RNAL SECTOR DEVELOPMENTS AND POLICIES					
5.1	Balance of Payments Analytical Presentation (BPM6 Presentatio	n Format)				125
5.2	Composition of Exports	·		•••		130
	·	•••	•••	•••	•••	
5.3	Composition of Imports	•••	•••	•••	•••	132
5.4	Volume of Major Imports	•••	•••		•••	133
5.5	Trade Indices		• • •	•••	•••	135
5.6	Current and Capital Account (BPM6 Presentation Format)				•••	137
5.7	Tourism Performance					139
5.8.A	Financial Account (BPM6 Presentation Format)					145
5.8.B	Financial Account (BPM6 Presentation Format)					147
5.9	Major Projects Financed with Foreign Borrowings during 2013					148
5.10	International Investment Position (BPM6 Presentation Format)					149
5.11	·	•••		•••	•••	153
	9		•••	•••	• • •	
5.12	Outstanding External Debt Position (BPM6 Presentation Format	f)	•••	•••	•••	154
5.13	External Debt Service Payments		•••	•••		155
5.14	Exchange Rate Movements					156
6. FISCA	AL POLICY AND GOVERNMENT FINANCE					
/ 1	(					1/1
6.1	Summary of Government Fiscal Operations	•••	• • •	•••	•••	161
6.2	Economic Classification of Revenue				•••	167
6.3	Economic Classification of Expenditure and Lending Minus Rep	ayments	•••	•••	•••	170
6.4	Functional Classification of Expenditure				•••	173
6.5	Sources of Domestic Financing					175
6.6	Outstanding Government Debt (as at end year)					177
6.7	Government Debt Service Payments					179
6.8	Government Debt Indicators					179
6.9	Budget Outturn for Provincial Councils					181
0.7	Dougor Conomitor Fromicial Cooncile	•••			•••	101
7. MON	ETARY POLICY, MONEY, CREDIT AND INTEREST RATES					
7.1	Recent Monetary Policy Measures					185
7.2	Developments in Monetary Aggregates					190
7.3	Sources of Reserve Money and Broad Money (M <sub>2b</sub> )					191
7.4	Classification of Outstanding Loans and Advances Granted by	Commercial				193
7.5	Maturity Analysis of Outstanding Credit to the Private Sector by					194
7.6	Sources of Broad Money (M <sub>4</sub> )					196
7.7	Selected Money Market Rates					197
7.8	Deposit and Lending Rates					198
7.9	Yield Rates on Government Securities					200
0. =0.1	NOW SECTION DEPENDENT AND AVERAGE AND AVER					
8. FINA	NCIAL SECTOR PERFORMANCE AND SYSTEM STABILITY					
8.1	Total Assets of the Major Financial Institutions					204
8.2	Distribution of Banks and Bank Branches					207

				Page
8.3	Composition of Assets and Liabilities of the Banking Sector	 	 	208
8.4	Composition of Statutory Liquid Assets of the Banking Sector	 	 	210
8.5	Profits of the Banking Sector	 	 	211
8.6	Composition of Regulatory Capital of the Banking Sector	 	 	211
8.7	Distribution of Branches of LFCs & SLCs by Province	 	 	213
8.8	Composition of Assets and Liabilities of the LFC & SLC Sector		 	214
8.9	Composition of Income and Expenses of the LFC & SLC Sector		 	215
8.10	Composition of Regulatory Capital of the LFC & SLC Sector	 	 	216
8.11	Performance of Primary Dealers	 	 	217
8.12	Performance of the Unit Trust Sector	 	 	219
8.13	Performance of the Insurance Sector	 	 	221
8.14	Performance of the EPF and the ETF	 	 	222
8.15	Money Market Transactions	 	 	224
8.16	Annualised Primary Market Weighted Average Yield			
	Rates of Treasury Bills	 	 	225
8.17	Yield Rates of Government Securities	 	 	225
8.18	Performance of the Share Market	 	 	228
8.19	Transactions through Payment Systems	 	 	230

# PART I - CHARTS

						Page
1. ECO	NOMIC, PRICE AND FINANCIAL SYSTEM STABILITY, OUTL	OOK AND	POLICIES			
1.1	Annual Real GDP Growth					2
1.2	Year-on-Year Inflation (Based on CCPI, Spliced)					2
1.3	Annual Unemployment Rate					3
1.4	Quarterly Real GDP Growth					6
1.5	Savings and Investment (as a Percentage of GDP)					9
1.6	Year-on-Year Inflation					10
1.7	Balance of Payments					13
1.8	Revenue, Expenditure and Overall Fiscal Deficit (as a percenta	ge of GDP)				14
1.9	Government Debt (as a percentage of GDP)					15
1.10	Year-on-Year Growth of Money and Credit to the Private Sector	or				16
1.11	Policy Interest Rate Corridor and Selected Market Interest Rates	;				17
2. NATI	ONAL OUTPUT AND EXPENDITURE					
						20
2.1	Annual Growth Rate	•••	•••	•••	•••	39
2.2	Rice: Supply and Demand	•••	•••	•••	•••	40 51
2.3 2.4	Value Added in Manufacturing Sector (2002 Constant Prices)	•••	•••	•••	•••	51 52
2.4	Factory Industry Production Index (2010 = 100)  Composition of Factory Industry Production Index (FIPI) - 2013	•••	•••	•••	•••	53
2.6	Foreign Direct Investment of BOI Enterprises (US\$ million)		•••	•••	•••	68
2.7	The Economy in 2013 (at current prices)	•••	•••	•••	•••	71
2.7	Supply of Goods and Services	•••	•••	•••		71
	Demand for Goods and Services				•••	71
		•••		•••	•••	, ,
3. ECOI	NOMIC AND SOCIAL INFRASTRUCTURE					
3.1	Telephone Penetration					76
3.2	Hydro : Thermal Ratio of Electricity Generation					78
3.3	Average Tariff and Cost of Electricity					79
3.4	International Crude Oil (Brent) Prices (Monthly Average)					80
3.5	Container Handling, Transshipment Volume and Ship Arrivals	•••				88
3.6	Government Expenditure on Health and Education					94
3.7	Number of Samurdhi Beneficiary Families and Expenditure					101
4. PRICI	ES, WAGES, EMPLOYMENT AND PRODUCTIVITY					
4.1	Colombo Consumers' Price Index (2006/07=100)					105
4.2	Trends in Labour Force and Unemployment (2009–2013)					115
5 EXTE	RNAL SECTOR DEVELOPMENTS AND POLICIES					
						104
5.1	Balance of Payments	•••	•••		•••	124
5.2	Major Sources of Foreign Exchange Earnings	•••	•••		•••	124
5.3	Exports by Commodities - 2013	•••	•••		•••	129
5.4	Imports by Commodities - 2013 Exports, Imports and Trade Balance	•••	•••		•••	131 134
5.5	Exports, imports and irade balance			• • •		134
5 4						125
5.6 5.7	Terms of Trade and Trade Indices					135 136
5.7	Terms of Trade and Trade Indices Exports by Destination		•••	•••		136
5.7 5.8	Terms of Trade and Trade Indices Exports by Destination Imports by Origin					136 136
5.7	Terms of Trade and Trade Indices Exports by Destination		•••	•••		136

						D
						Page
5.12	Quarterly Gross Official Reserves and Total Foreign Assets	•••	•••	•••	•••	153
5.13	External Debt		•••	• • •	•••	154
5.14	Exchange Rate Movements		•••	• • •	•••	157
	Exchange Rate Movements - Rupees per US\$		•••	•••	•••	157
<i>5.15</i>	, , , ,	•••	•••	•••	•••	157
5.15	Quarterly Inter-Bank Forward Transaction Volumes	•••	•••	•••		157
6. FISCA	AL POLICY AND GOVERNMENT FINANCE					
6.1	Major Fiscal Indicators (as a percentage of GDP)					160
6.2	Composition of Government Revenue – 2013		•••			167
6.3	Composition of Government Current Expenditure – 2013					170
6.4	Total Expenditure by Function – 2013				•••	171
6.5	Deficit Financing (as a percentage of GDP)				•••	175
6.6	Sources of Bank Financing					175
6.7	Outstanding Government Debt					176
6.8	Composition of Outstanding Domestic Debt - 2013					177
6.9	Composition of Outstanding Foreign Debt - 2013	•••	•••		•••	177
6.10	Currency Composition of Total Outstanding Debt - 2013		•••			178
6.11	Government Debt Service Payments (as a percentage of GDP)		•••			179
7. MON	ETARY POLICY, MONEY, CREDIT AND INTEREST RATES					
7.1	Rupee Liquidity in the Domestic Money Market and Liquidity Ab	sorption				189
7.2	Year-on-Year Growth of Monetary Aggregates					190
7.3	Annual Increase in Domestic Credit (2000-2013)					192
7.4	Volume of Loans and Advances granted to the Private Sector					
	by DBUs and OBUs of Commercial Banks					192
7.5	Year-on-Year Growth of Outstanding Credit to Key Sectors (%)					194
7.6	Year-on-Year Growth of Savings and Time Deposits					196
7.7	Average Weighted Call Money Rate and Policy Interest Rates					197
7.8	Movement of Selected Market Interest Rates					199
7.9	Average Weighted Lending Rates by Type of Security (%)					199
7.10	Secondary Market Yield Curve for Government Securities					200
7.11	Weekly Movement of Secondary Market Yields for Government	+				
	Securities					200
8. FINAI	NCIAL SECTOR PERFORMANCE AND SYSTEM STABILITY					
8.1	Off-Balance Sheet Exposures of the Banking Sector					208
8.2	Non-Performing Loans of the Banking Sector					208
8.3	Credit Exposure of the Banking Sector					209
8.4	Provisioning for NPLs of the Banking Sector					209
8.5	Liquidity Ratios of the Banking Sector					210
8.6	Cumulative Maturity Gap as a percentage of the					
	Cumulative Liabilities of the Banking Sector					210
8.7	Profitability Indicators of the Banking Sector					211
8.8	Capital Adequacy Ratios of the Banking Sector					211
8.9	Product-wise Accommodations of the LFC and SLC Sector					213
8.10	Non-Performing Advances and Provision Coverage of the LFC	and SLC Sect	or			214
8.11	Profitability Indicators of the LFC and SLC Sector					215
8.12	Categorisation of the Unit Trust Industry in terms of the Net					
	Asset Value					219
8.13	Gross Written Premium of the Insurance Industry					220
8.14	ASPI, S&P SL20 Index and Daily Turnover at the CSE		•••			227
8.15	Foreign Participation at the CSE					227

# PART I - BOXES

				Page
1.	Economic Diversification and Sustainable Growth		 	 31
2.	National Accounts Compilation		 	 60
3.	Insight into Global Indices		 	 69
4.	Colombo Port City Development Project		 	 90
5.	Transforming Colombo into a World Class City		 	 98
6.	Sri Lanka's Transition to the Latest Balance of Payments Manual in Compilation of External Accounts		 	 141
7.	International Investment Position of Sri Lanka		 	 150
8.	Sri Lanka Moving Towards Investment Grade		 	 165
9.	Recent Changes Introduced to the Framework for Conducting Monetary Operations		 	 186
10.	Consolidation in the Financial Sector to Support the Growth of the Economy and Stability of the Financial Sector		 	 205
11.	Major Economic Policy Changes and Measures : 2013	•••	 	 219

# STATISTICAL APPENDIX

					Table
NA	TIONAL OUTPUT AND EXPENDITURE				
	Gross National Product by Industrial Origin at Current Prices of M	ajor Econom	ic Activities		 1
	Gross National Product by Industrial Origin at Constant (2002) Pri	ces of Major	Economic Ac	tivities	 2
	Gross National Product by Industrial Origin of Major Economic Ac	tivities			 3
	Provincial Gross Domestic Product by Industrial Origin at Current I	Prices (2008-	2012)		 4
	Resources and their Utilisation				 5
	Reconciliation of Key Aggregates at Current Market Prices				 6
	Gross Domestic Capital Formation at Current Market Prices				 7
	Composition of Private Consumption Expenditure at Current Market	et Prices			 8
	Expenditure on Gross National Product at Current Market Prices				 9
	Gross Domestic Expenditure and Availability of Resources				 10
	Investment and Savings at Current Market Prices				 11
	Real National Income				 12
	Trends in Principal Agricultural Crops				 13
	Production of Tea, Rubber, Coconut and Other Export Agriculture	Crops			 14
	Annual Rainfall and Rainy Days				 15
	District-wise Performance of the Paddy Sector				 16
	Paddy Production				 17
	Performance of Other Field Crops				 18
	Land Cultivated under the Mahaweli Development Programme				 19
	Statistics of the Sugar Sector				 20
	Statistics on the Forestry Sector				 21
	Value Added in Industry (2002 Constant Prices)				 22
	Value Added in Industry (Current Prices)				 23
	Investment Approvals in Industry by the Board of Investment of $\mathop{\rm Sri}\nolimits$ I	.anka			 24
	Realised Investments in the Board of Investment (BOI) Enterprises				 25
	Foreign Direct Investment of BOI Enterprises by Sector				 26
	Capacity Utilisation in Factory Industry				 27
	Employment in Selected State Owned Industrial Enterprises				 28

					Table
Performance of Selected State Owned Industrial Enterprises	•••			•••	29
Regional Distribution of Industrial Enterprises					30
Factory Industry Production Index (FIPI) of Major Divisions		•••		•••	31
Factory Industry Production Index (FIPI)					32
ECONOMIC AND SOCIAL INFRASTRUCTURE					
ECONOMIC AIND SOCIAL INI KASTROCTURE					
Performance of Telecommunications and Postal Services					33
Energy Sector Performance					34
Salient Features of the Transport Sector					35
Performance of the Port Services					36
Salient Features of Government Health Services					37
Salient Features of General and University Education					38
PRICES, WAGES, EMPLOYMENT AND PRODUCTIVITY					
Movement of the Colombo Consumers' Price Index (2002=100)					39
Movement of the Colombo Consumers' Price Index (2006/07=1					40
Colombo Consumers' Price Index (CCPI) (2002=100)					41
Colombo Consumers' Price Index (CCPI) (2006/07=100)					42
Wholesale Price Index (WPI)	•••	•••		•••	43
·	010	•••	•••	•••	
Average Retail Prices of Selected Food Items by Province 2012-2	013			•••	44
Wholesale Prices of Selected Commodities	•••	• • •		•••	45
Wage Rate Indices	•••			•••	46
Average Daily Wages in the Informal Sector					47
Average Daily Wages of Informal Sector by Province 2012-2013		•••		•••	48
Demography					49
Population by District					50
Labour Force Participation Rate					51
Status of Employment					52
Employment by Economic Activity (ISIC - Revision 3)					53
Employment by Economic Activity (ISIC - Revision 4)					54
Labour Force Trends					55
Public Sector Employment	•••	•••		•••	56
Foreign Employment	•••	•••		•••	57
	•••	•••	•••	•••	
Employees' Provident Fund	•••	•••		•••	58
Employees' Trust Fund	•••	•••		•••	59
Strikes in Private Sector Industries	•••	•••		•••	60
EXTERNAL SECTOR DEVELOPMENTS AND POLICIES					
Central Bank Trade Indices – Value					/1
	•••	•••	•••	•••	61
Central Bank Trade Indices – Volume	•••	• • •		•••	62
Central Bank Trade Indices – Unit Value	•••	•••		•••	63
Foreign Trade				•••	64
Exports		•••		•••	65
Tea Exports, Sales and Prices					66
Volume and Value of Tea Exports					67
Country Classification of Tea Exports					68
Rubber Exports and Prices					69
Major Rubber Export Destinations					70
Country Classification of Garment Exports					71
Major Coconut Products Exports and Prices					72
Major Coconor Froducia Exporta una Fricea		•••	•••	•••	12

					Table
Volume and Value of Exports of Other Agricultural Products					73
Selected Industrial and Mineral Exports					74
Imports by Major Categories					75
Imports					76
Exports and Imports of Major Commodities					77
Direction of Trade - Exports					78
Direction of Trade - Imports					79
Performance in the Tourism Sector					80
Some Indicators of the Regional Distribution of Tourism					81
Balance of Payments - Standard Presentation under BPM6 Forma	ıt				82
International Investment Position - Standard Presentation under B	PM 6 Form	nat			83
Services and Income					84
Workers' Remittances					85
External Resources and their Uses					86
Financing of the External Resources Gap					87
Outstanding External Debt					88
End of Period Exchange Rates					89
Average Exchange Rates of Major Currencies and Monthly Indice					σ,
Exchange Rate (NEER) and Real Effective Exchange Rate (REE					90
Interbank Forward Market Transactions					91
Absorption and Supply of Foreign Exchange by the Central Bank					92
	•••	•••	•••	•••	, 2
FISCAL POLICY AND GOVERNMENT FINANCE					
Summary of Government Fiscal Operations	•••	•••	•••	•••	93
Government Revenue	•••	•••	•••	•••	94
Payments of the Government of Sri Lanka					95
Voted Expenditure of the Government of Sri Lanka – 2013					96
Voted Expenditure of the Government of Sri Lanka – 2014					97
Current Transfers to Public Corporations and Institutions					98
Capital Transfers to Public Corporations and Institutions					99
Acquisition of Financial Assets (Loan Outlays)					100
Financing of the Government Net Cash Deficit					101
Economic Classification of Government Revenue					102
Economic Classification of Government Expenditure and Lending	Minus Re	payments			103
Economic Classification of Government Fiscal Operations					104
Composition of Outstanding Government Debt					105
Ownership of Government Debt (as at end of the year)					106
Ownership of Treasury Bills					107
Ownership of Treasury Bonds					108
Ownership of Rupee Loans					109
Ownership of Outstanding Foreign Debt					110
Foreign Loans – 2013					111
Net Receipts of Foreign Assistance					112
Outstanding Central Government Debt (as at end of the year)					113
Budget Outturn for Provincial Councils					114
Consolidated Budget					115
MONETARY POLICY, MONEY, CREDIT AND INTEREST RATES					
Currency Issued by the Central Bank (by Denomination)					116
Monetary Aggregates – $M_1$ and $M_2$					117
Monetary Survey — M <sub>2</sub>					118

				Table
Consolidated Monetary Survey – M <sub>2h</sub> .			 	119
Financial Survey $-M_4$ .		•••	 	120
Monetary Aggregates - Summary .		•••	 	121
Reserve Position of Commercial Banks .		•••	 	122
Money Rates: The Central Bank and Commercial Banks .			 	123
Money Rates: Savings and Long Term Credit Institutions .			 	124
Yield Rates on Government Securities .			 	125
Commercial Banks' Loans and Advances by Type of Security (End of	f Period)		 	126
Commercial Banks' Loans and Advances to the Private Sector .			 	127
FINANCIAL SECTOR PERFORMANCE AND SYSTEM STABILITY				
Assets and Liabilities of the Central Bank .			 	128
Assets and Liabilities of Domestic Banking Units (DBUs) of Commer	rcial Banks		 	129
Assets and Liabilities of Offshore Banking Units (OBUs) of Commerc	cial Banks		 	130
Assets and Liabilities of Non-Bank Financial Institutions .			 	131
Savings and Fixed Deposits of Deposit-taking Institutions .			 	132
Insurance Activities .			 	133
Share Market Performance .			 	134
Debentures Listed on the CSE in 2013 .		•••	 	135
Total Cultivation Loans Granted by the Lending Banks (Position as a	at 31 Decem	ber 2013)	 	136
New Comprehensive Rural Credit Scheme – Loans Granted for Subs	sidiary Food	crops by		
the Lending Banks (Position as at 31 December 2013)			 	137
Operations of the Crop Insurance Programme – Paddy Sector				
(Position as at 31 December 2013)			 	138
Deposits and Advances of District Co-operative Rural Banks (2003 -	– 2013) and	ł		
District-wise Classification for 2013 .			 	139
Deposits and Advances of District Co-operative Rural Banks' Unions	s (2005 – 20	013) and		
District-wise Classification for 2013 .			 	140

#### **SPECIAL STATISTICAL APPENDIX**

				Tabl
1. Real Sector:				
Population and Labour Force National Output		•••	 •••	1 2
Prices			 	3
2. External Sector:				
Balance of Payments Reserves, Total Foreign Assets, External Debt and Excha	 nge Rates		 	4 5
3. Fiscal Sector:				
Government Fiscal Operations Government Debt			 	6 7
4. Monetary Sector:				
Monetary Survey Interest Rates			 	8 9
5. Socio-economic Conditions				
Key Socio-economic Indicators in Sri Lanka -1953 - 200 Based on Consumer Finances and Socio-economic Key Socio-economic Indicators by Province - 2003/04			 	10
Based on Consumer Finances and Socio-economic Key Socio-economic Indicators by Province - 2009/10	Survey		 	11
Based on Household Income and Expenditure Surve Key Socio-economic Indicators by Sector			 	12
Based on Household Income and Expenditure Surve 2006/2007, 2009/2010 & 2012	y 		 	13

## **Definitions and Explanatory Notes on Statistical Tables**

The following general notes supplement the footnotes given below the individual tables:

- 1. In an attempt to bring the material up-to-date, provisional figures are included in some tables.
- 2. Figures in some tables have been rounded off to the nearest final digit. Hence, there may be a slight discrepancy between the total as shown and the sum of its components.
- 3. Differences as compared with previously published figures are due to subsequent revisions.
- 4. Values indicated within parenthesis are negative values.
- 5. The following symbols have been used throughout:-

... = negligible - = nil

n.a. = not available

n.e.c. = not elsewhere classified

n.e.s. = not elsewhere specified

n.i.e. = not included elsewhere