

Monetary Policy Review of the Central Bank

Data Annexure:

Table 01: Real GDP Growth (Provisional)

Economic Activities	Year - on - Year % Change								
	2016	2017				2018			
	Annual	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Annual	First Quarter	Second Quarter	Third Quarter
Agriculture	-3.8	-4.4	-3.1	-3.0	7.1	-0.8	5.6	4.2	3.3
Industries	5.8	3.7	5.6	5.3	4.1	4.6	1.2	2.3	1.9
Services	4.7	4.3	2.7	2.8	3.2	3.2	4.6	4.6	3.9
GDP	4.5	3.4	3.0	3.2	3.5	3.3	3.4	3.6	2.9

Source: Department of Census and Statistics

The Monetary Board of the Central Bank of Sri Lanka, at its meeting held on 27 December 2018, decided to maintain policy interest rates at their current levels.

Accordingly, the Standing Deposit Facility Rate (SDFR) and Standing Lending Facility Rate (SLFR) of the Central Bank will remain at 8.00 per cent and 9.00 per cent, respectively. The Board considered current and expected developments in the domestic economy and the domestic financial markets as well as the global economic environment, with the broad aim of stabilising inflation at mid single digit levels in the medium term to enable the economy to achieve its potential growth.

Subpar economic growth continued in the third quarter of 2018 as well as per the provisional estimates of the Department of Census and Statistics (DCS), the Sri Lankan economy recorded a modest real GDP growth of 2.9 per cent, year-on-year, during the third quarter of 2018, compared to the revised growth of 3.6 per cent in the second quarter of 2018.

As per the available economic

indicators and other economic developments, real GDP growth is likely to be low in the fourth quarter of 2018 as well, before picking up gradually in 2019. The continued low economic growth re-emphasises the need for implementing broad based structural reforms without further delay.

Economic Research Department 28.12.2018

Notwithstanding the elevated market interest rates and rupee liquidity deficit, private sector credit growth accelerated.

The reduction of the Statutory Reserve Ratio (SRR) at the last monetary policy review in November 2018 released around Rs. 90 billion of rupee liquidity to the banking system. However, the liquidity deficit has widened thereafter, and the Central Bank continued its open market operations (OMOs) cautiously to manage liquidity on overnight, short term and long term basis as appropriate. Given high credit growth and foreign exchange market developments, overnight interest rates in the money market have been maintained close to the

Table 04: Interest Rates

Table 02: Inflation

Month		Mar 18	Jun 18	Jul 18	Aug 18	Sep 18	Oct 18	Nov 18
Headline Inflation (Year on year % change)	CCPI (2013=100)	4.2	4.4	5.4	5.9	4.3	3.1	3.3
	NCPI (2013=100)	2.8	2.5	3.4	2.5	0.9	0.1	1.0
Core Inflation (Year on year % change)	CCPI (2013=100)	3.4	3.4	3.9	3.7	3.8	3.8	3.4
	NCPI (2013=100)	1.9	1.8	2.3	2.7	3.1	3.4	3.1

Source: Department of Census and Statistics

upper bound of the policy rate

Table 03: Monetary Sector Developments (Provisional)

Indicator	Outstanding Amount (Rs. billion)					Year - on - Year % Change				
	Mar 18	Jun 18	Sep 18	Oct 18	Nov 18	Mar 18	Jun 18	Sep 18	Oct 18	Nov 18
Reserve Money	997	999	1,011	998	942	11.8	12.0	11.2	9.1	3.3
Broad Money (M _{2b})	6,607	6,748	6,933	6,988	7,043	16.4	14.9	13.1	13.5	13.9
Net Foreign Assets (NFA)	106	101	8	(17)	(43)	128.6	141.1	(27.0)	(145.5)	(163.9)
Net Domestic Assets (NDA)	6,500	6,646	6,926	7,005	7,086	7.5	8.6	13.1	14.4	15.8
Net Credit to the Government (NCG)	2,278	2,273	2,427	2,422	2,464	2.9	1.7	9.2	9.2	14.0
Credit to Public Corporations	557	619	656	701	715	(2.6)	8.5	27.1	40.9	41.7
Credit to the Private Sector	5,022	5,156	5,356	5,430	5,509	15.3	14.9	15.4	16.1	16.2
Broad Money (M ₄)	8,112	8,292	8,502	8,555	8,615	16.7	14.8	12.5	12.5	12.5

corridor. Other market interest rates remained at elevated levels,

domestic supply chains due to unpredictable weather patterns,

Source: Central Bank of Sri Lanka global markets and excessive speculation in the domestic mar-