





WEEKLY ECONOMIC REPORT

DECEMBER 11, 2009

ECONOMIC RESEARCH DIVISION, DEPARTMENT OF FISCAL POLICY
NO. 08

Macroeconomic Status

-  Private Remittances: US\$ 2,481 mn
-  Exchange Rate on 11th Dec: US\$1=Rs. 114.35
-  Inflation in November: 2.8 percent
-  Current Account Surplus: US \$ 393 mn
-  Crude oil Prices: US \$/bbl 70.32
-  Treasury Bill Yield Rate (3 months): 7.51

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Global Overview

The US return to growth since third quarter of 2009 and GDP growth is expected to be around 4 percent in the fourth quarter. Japan economy grew by 1.3 percent during the July -September period. Japan embarks on another round of stimulus spending of about US \$ 82 billion. Globally the recovery continued with strong gains in 3rd quarter GDP in Brazil and Turkey and with strong export and industrial production data out of Taiwan and Malaysia. Sentiment has picked up further in Asia with strong gains in industrial production, retail sales and exports in China. The Chinese fourth quarter is on track for 11 percent GDP growth with continued emphasis on boosting consumption and less of a focus on investment. India's GDP surged an inspiring 7.9 Percent compared to the previous year. Meanwhile, the Dubai Debt crisis portends a new stage of global crisis since global investors asked for a six month payment standstill on its billions debt.

Economic outlook Sri Lanka

Inflation continued to decline with the falling of annual average inflation to around 4 percent in November, 2009 albeit at an increase year-on year inflation to 2.8 percent. The supply side developments with integration of Northern and Eastern province with the rest of the country will have positive impact on inflation. The government bonds yield rates likely to remain low in the short term as inflation and interest rates stay low.

The trade deficit further narrowed with a significant reduction in expenditure on imports and decrease in earning from exports during the Jan-Sep period, 2009. It is envisaged that current account would record a surplus in 2009 for the first time since 1977 with higher inflows into the current account transfers and services accounts. For the first nine month of 2009, a current account surplus of US \$ 393 million was recorded.

The investment climate is improved with the political stability, easing off monetary policy stance coupled with a gradual recovery in the global economy. The credit facilities is expected to boom with a decline of market interest rates coupled with stable financial markets. The policy interest rates remained at current levels of Repurchase rate and Reverse Repurchase Rate remain at 7.50 percent and 9.75 percent respectively.

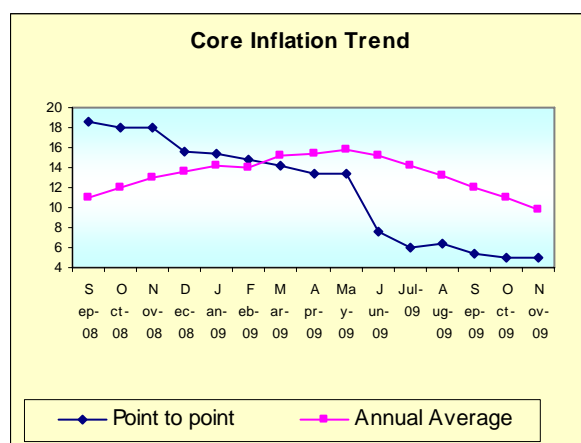
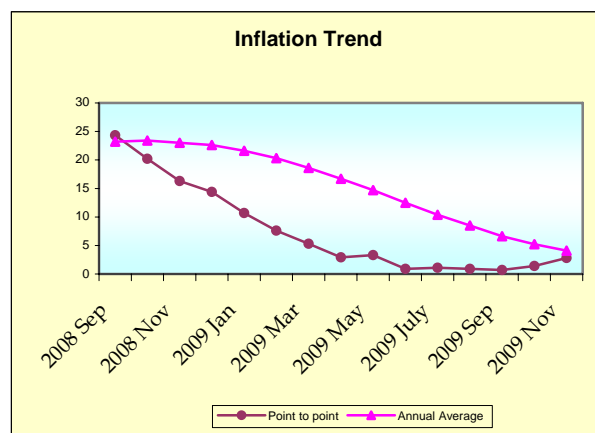
*“ The storm has passed but the global economy remains very much in a holding pattern-
stable and getting better, but still highly vulnerable ”*

Dominique Strauss-Khan, Managing Director, IMF

1. Banking and Finance

1.1 Inflation Trend

Month	CCPI New		Core Inflation	
	Point to point	Annual Average	Point to point	Annual Average
Jan-2008	21.6	17.6	-	-
Feb	24.0	18.1	-	-
Ma	28.1	18.8	-	-
Apr	25.0	18.7	9.3	7.7
May	26.2	19.8	9.6	7.9
Jun	28.2	21.0	14.1	8.4
Jul	26.6	21.9	17.2	9.2
Aug	24.9	22.6	17.4	10.1
Sep	24.3	23.2	18.7	11.1
Oct	20.2	23.4	18.1	12.1
Nov	16.3	23.0	18.1	13.0
Dec	14.4	22.6	15.7	13.6
Jan-2009	10.7	21.6	15.5	14.3
Feb	7.6	20.3	14.8	14.1
Mar	5.3	18.6	14.2	15.2
Apr	2.9	16.7	13.5	15.5
May	3.3	14.7	13.5	15.8
June	0.9	12.5	7.7	15.2
Jul	1.1	10.4	6.0	14.2
Aug	0.9	8.5	6.4	13.2
Sep	0.7	6.6	5.4	12.1
Oct	1.4	5.2	5.1	11.0
Nov	2.8	4.1	5.1	9.9



Source: Department of Census and Statistics

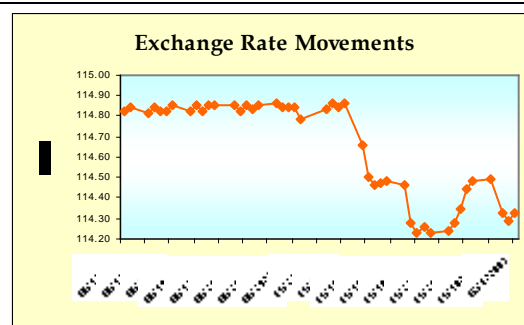
Inflation continued to decline...

The annual average inflation declined to a record six-year low of 4.1 percent in November 2009 from 5.2 percent in October 2009. However, inflation rose to 2.8 percent in November 2009 reflecting the lower base in the corresponding month of 2008. Inflation continued to decline from July 2008 mainly due to a decrease in prices of food items. The annual average inflation also decreased from 10.4 percent to 5.2 percent in November 2009. Core inflation that measures the price movement of non-food and non-energy items in the CCPI basket stood at the October level of 5.1 percent on a point -to-point basis. The Central Bank continues its tight monetary policy to keep inflation at a one digit level to sustain economic recovery.

1.2 Exchange Rates

	Week Ending Dec 11	Week Ago	Month Ago	Nov 2008	% Change 2008/09
US Dollar	114.35	114.34	114.48	111.03	2.99
Sterling Pound	186.20	189.11	189.95	164.94	12.89
Euro	168.30	172.18	170.13	144.86	16.18
Japanese Yen	1.29	1.30	1.27	1.20	7.50
Indian Rupee	2.46	2.48	2.46	2.25	9.33

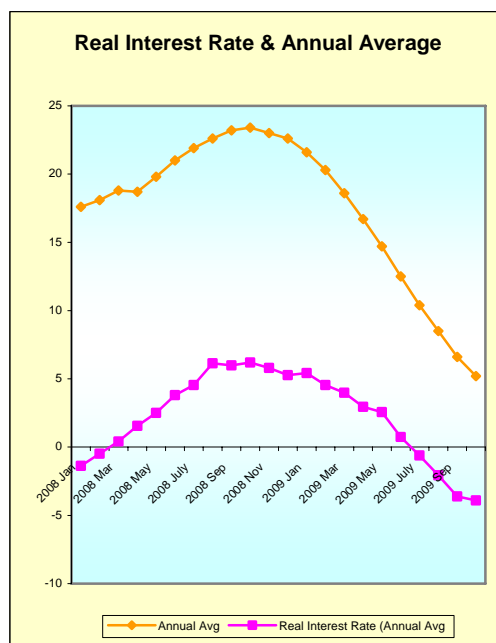
Source: Central Bank of Sri Lanka



1.3 Real Interest Rates

Month	CCPI new Index	CCPI Point to Point Change	Annual Avg	TBill Rate	Real Interest Rate (Y on Y)	Real Interest Rate (Ann Avg)
Aug-2008	206.3	24.90	22.60	16.46	8.44	6.14
Sep	207.2	24.30	23.20	17.22	7.08	5.98
Oct	206.6	20.20	23.40	17.20	3.00	6.2
Nov	205.2	16.3	23.0	17.20	-0.9	5.8
Dec	203.7	14.4	22.6	17.33	-2.93	5.27
Jan-2009	203.1	10.07	21.6	16.18	-6.11	5.42
Feb	202.9	7.6	20.3	15.76	-8.16	4.54
Mar	202.0	5.3	18.6	14.62	-9.32	3.98
Apr	201.0	2.9	16.7	13.75	-10.85	2.95
May	205.1	3.3	14.7	12.13	-8.83	2.57
June	207.8	0.9	12.5	11.76	-10.86	0.74
July	208.7	1.1	10.4	11.01	-9.91	-0.61
Aug	208.1	0.9	8.5	10.57	-9.67	-2.07
Sep	208.6	0.7	6.6	10.21	-9.51	-3.61
Oct	209.4	1.4	5.2	9.10	-7.7	-3.9
Nov	211.0	2.8	4.1	7.25	-4.45	-3.15

Source: Department of Census and Statistics



1.4 Interest Rate Movements

Category	Week Ending Dec 11	Week Ago	Month Ago	Year Ago
Repo	7.50	7.50	8.00	10.50
Call Money	8.87	8.87	8.96	17.98
Weekly Average				
Treasury Bill (Yield rate)				
3 Months	7.51	7.40	7.73	17.20
6 Months	8.50	8.42	8.80	18.42
1 Year	9.26	9.26	9.56	19.06
Treasury Bond	12.83	12.83	12.83	20.25
Prime Lending Rate	11.29	11.48	11.88	20.62
Commercial Bank Average Weighted Deposits (AWDR)	8.51	9.76	9.76	11.39

Source: Central Bank of Sri Lanka

Declined interest Rates...

As a response to easing off the monetary policy stance of the Central Bank in line with the decreased inflation, the money market interest rates have declined by over 900 basis points so far this year. A similar decline is observed in the short term interest rates. As a result, the lending rate has also declined. This will pave the way to reduce the borrowing rate and deposits rates. This would benefit the entire economy by expanding activities of the industry, service and agriculture sectors particularly in the SME sector. The bank lending rates have been reduced in line with the declining inflation coupled with stable financial condition of the country.

1.5 Average Weighted Prime Lending Rate - Banks

Bank	Week ending 11/12/2009	Week Ago
Bank of Ceylon	12.03	11.93
People's Bank	12.00	11.33
Hatton National Bank	11.18	12.32
Commercial Bank of Ceylon	10.68	10.76
Sampath Bank	10.34	10.43
Seylan Bank	16.00	16.31
Union Bank of Colombo	15.62	16.04
Pan Asia Banking Corporation	11.60	12.00
Nations Trust Bank	10.86	11.41
DFCC Vardhana Bank	13.35	13.00
NDB Bank	11.33	12.18

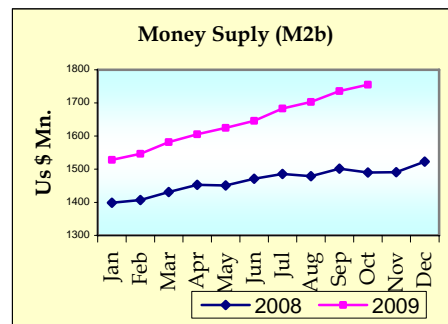
Source: Central Bank of Sri Lanka

Bank	Week ending 11/12/2009	Week Ago
HSBC	11.45	11.88
Standard Chartered Bank	10.54	10.64
Citi Bank	11.92	12.31
Deutsche Bank	11.03	10.30
Habib Bank	11.75	11.75
Indian Bank	13.29	13.29
Indian Overseas Bank	12.75	12.50
MCB Bank	15.00	14.50
State Bank of India	14.26	14.26
Public Bank	16.50	16.50
ICICI Bank	11.60	11.60

1.5 Money Supply

	Oct 2009	Sep 2009	Aug 2009	July 2009	Oct 2008	Sep 2008	Aug 2008	July 2008	Growth 2008/09 (%)
M ₁	294.5	293.3	285.5	277.1	266.6	275.2	270.9	269.3	10.47
M ₂	1,461.3	1,461.3	1,435.5	1,411.7	1,249.2	1,248.6	1,229.1	1,220.6	16.98
M _{2b}	1,755.4	1,736.0	1,702.9	1,683.1	1,489.8	1,501.5	1,478.8	1,485.7	17.83

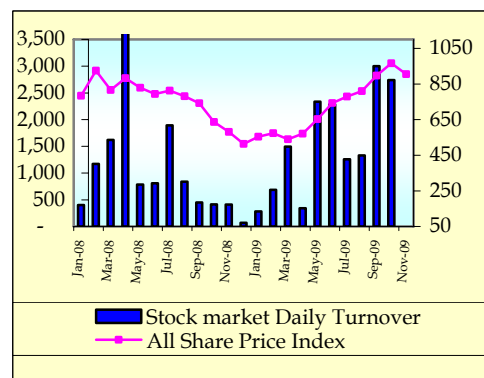
Source: Central Bank of Sri Lanka



1.6 Share Market

	Week ending Dec 10	Week Ago	Year Ago
All Share Price Index (ASPI) (1985 = 100)	3,060	3,005	1,569
Milanka Price Index (31/12/1998=1000) (MPI)	3,474	3,415	1,753
Average Daily Turnover (Rs.Mn)	779	1,563	29
Market Capitalization (Rs.Bn.)	987.0	968.7	510.3

Source: Colombo Stock Exchange



Stock market on a positive note....

The Colombo Stock Exchange surpassed the highest turnover of Rs. 115.2 billion for 2009, in October. The previous record high was 114.6 billion in 2005. The average daily turnover was Rs. 538.5 million. ASPI reached 3,139.7 on October 13th 2009, the highest point recorded in its history. Many rank the CSE as the best performing stock market in the world.

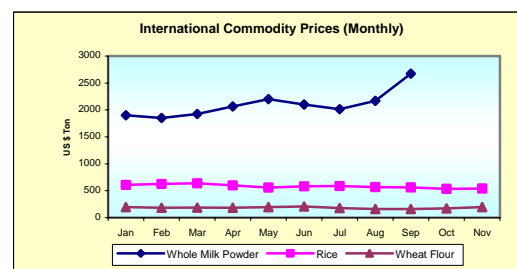
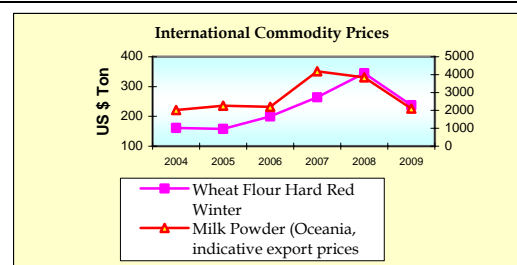
The stock market continued to grow with the positive economic developments and decline in interest rates, higher business confidence and brightened growth prospects following the end of the conflict.

At the week ending December 10th, the All Share Price Index averaged at 3,060, up 55 points while MPI also increased to 59 points to close at 3,474. Turnover was Rs. 779 million, a decline of 50 percent as against last week. Market capitalization at the end of the week was Rs. 987 billion.

2. Commodity Prices

2.1 International Commodity Prices

	2009 Dec 13	Week Ago	Month Ago
Rice -White Rice: Thai 100% B Second Grade (US\$/Ton)	-	622	542
Wheat Flour: Hard Red Winter US\$/MT	222	234	224
Soft Red Winter US\$/MT	203.83	219.17	198.60
Milk Powder (Oceania, indicative export prices US\$/Ton (September)	2,675	2,675	2,168
Maize (US No.2 Yellow) US \$/MT	158.26	174.44	173.63



Source: Food and Agriculture Organization

Commodity	Unit	Annual averages			Quarterly averages					Monthly averages		
		Jan-Dec	Jan-Dec	Jan-Nov	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Sep	Oct	Nov
		2007	2008	2009	2008	2008	2009	2009	2009	2009	2009	2009
Non Energy, Agriculture, Beverages												
Cocoa	¢/kg	195.2	257.7	283.3	282.6	224.1	259.7	258.7	295.5	313.3	336.0	338.5
Coffee, Arabica	¢/kg	272.4	308.2	314.2	321.2	267.8	283.9	320.2	322.7	327.5	340.8	335.6
Tea, auctions (3) average	¢/kg	203.6	242.0	270.1	272.3	206.6	218.0	266.1	303.6	315.7	302.7	305.3
Tea, Colombo auctions	¢/kg	252.2	278.9	312.6	303.2	208.8	261.7	299.1	356.1	376.4	352.4	335.3
Food, Fats & Oils												
Coconut oil	\$/mt	919	1,224	722	1,246	772	677	779	711	701	706	731
Copra	\$/mt	607	816	477	817	520	447	513	469	466	470	493
Palm oil	\$/mt	780	949	673	928	512	577	743	679	674	680	728
Grains												
Barley	\$/mt	172.4	200.5	126.3	216.6	129.5	116.3	129.5	122.0	103.5	130.7	155.3
Other Food												
Meat, beef	¢/kg	260.3	313.8	262.2	372.4	268.0	245.2	262.8	273.2	272.7	264.8	275.6
Meat, chicken	¢/kg	156.7	169.6	172.3	177.1	174.7	173.5	174.1	173.9	170.1	166.1	164.6
Sugar, world	¢/kg	22.22	28.21	38.92	31.14	26.28	28.85	33.89	46.98	50.84	49.91	49.07
Raw Materials, Timber												
Plywood	¢/sheets	640.7	645.5	565.3	648.6	645.5	572.8	565.8	561.5	560.7	559.3	558.6
Woodpulp	\$/mt	767.0	820.2	607.0	848.8	711.0	565.1	550.0	627.7	657.6	693.5	755.0
Other Raw Materials												
Rubber RSS1, US	¢/kg	248.0	284.1	206.0	329.1	202.8	165.8	187.0	221.0	248.7	264.8	279.3
Fertilizers												
Phosphate rock	\$/mt	70.9	345.6	124.5	409.2	371.3	193.3	113.3	90.0	90.0	90.0	90.0
TSP	\$/mt	339.1	879.4	259.7	1,107.8	658.7	321.7	247.7	224.7	225.0	246.5	228.5
Urea	\$/mt	309.4	492.7	248.5	745.4	292.2	267.3	241.1	241.6	233.9	239.0	244.8
Metals and Minerals												
Aluminum	\$/mt	2,638	2,573	1,618	2,787	1,821	1,360	1,485	1,812	1,834	1,879	1,949
Gold	\$/toz	697	872	958	870	795	909	922	960	997	1,043	1,127
Iron ore	¢/dm tu	84.7	140.6	101.0	140.6	140.6	101.0	101.0	101.0	101.0	101.0	101.0
Steel wire rod	\$/mt	533	1,010	988	1,135	1,200	1,200	1,007	857	850	850	825

Source: The World Bank

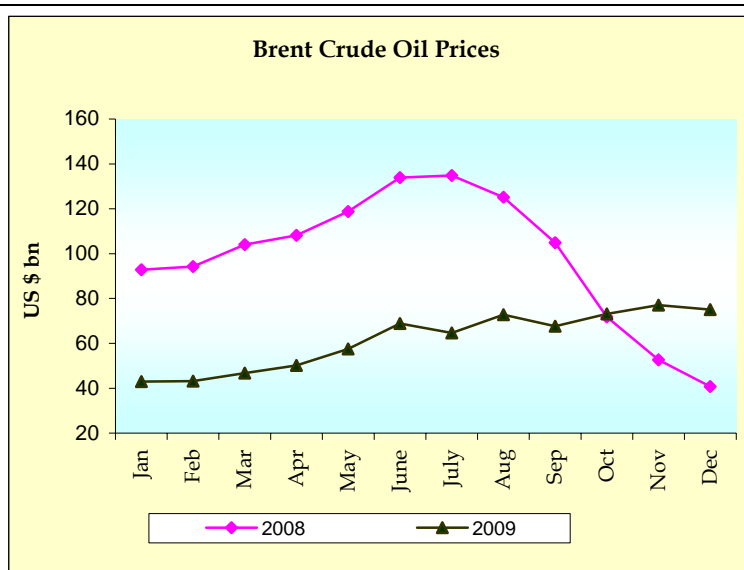
2.2 Crude Oil Prices - Singapore Plattes Prices (US\$/bbl)

	Dec 11	Dec 10	Dec 09	Dec 08	Nov 07	Week Ago	Month Ago	Year Ago
Brent (New York Closing Prices) (US \$/bbl.)	70.32	71.16	73.88	75.18	76.43	77.74	76.98	42.71
WTI (US\$/bbl.)	69.85	70.54	70.67	72.58	73.89	76.14	79.08	44.84
Singapore Plattes Prices (Refined Petroleum Products) (US \$/bbl)								
Petrol	74.90	75.80	78.30	79.20	80.00	81.38	79.75	94.81
Diesel	78.15	79.35	82.45	83.03	83.20	84.10	84.51	101.92
Kerosene	79.40	80.25	83.05	84.00	84.65	85.70	84.92	106.52

Source: Central Bank of Sri Lanka

2.3 Crude Oil Prices (Monthly Average)

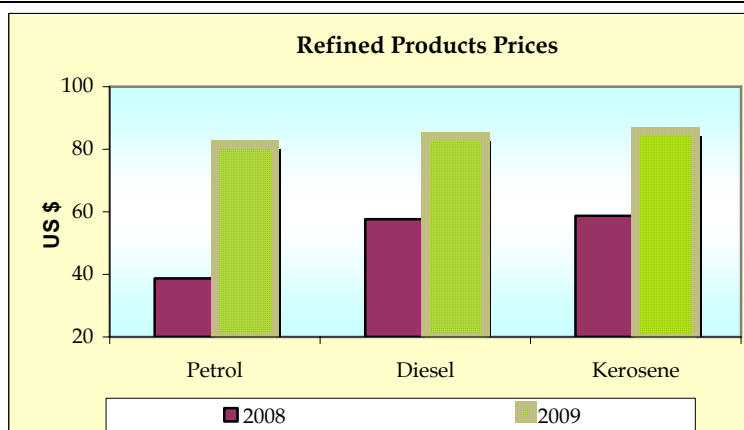
Month	WTI European Market (US\$/bbl)	Brent (US\$/bbl)
Aug-2008	125.03	125.16
Sep	108.90	104.85
Oct	76.54	71.79
Nov	57.07	52.68
Dec	40.34	40.77
Jan-2009	41.13	42.99
Feb	38.98	43.22
Mar	47.94	46.74
Apr	49.62	50.17
May	59.08	57.51
Jun	69.83	68.83
Jul	64.39	64.68
Aug	71.52	72.79
Sep	69.22	67.61
Oct	75.76	73.10
Nov	77.88	77.02
Dec*	73.25	75.02



* Up to 11th December Source: Central Bank of Sri Lanka

2.4 Refined Product Prices – 2008/2009 Singapore Plattes Prices (US\$/bbl)

Month	Petrol	Diesel	Kerosene
Oct-2008	78.43	83.85	90.25
Nov	47.28	68.47	75.14
Dec	38.69	57.66	58.73
Jan-2009	50.06	58.23	59.66
Feb	55.64	48.22	52.51
Mar	53.24	51.81	53.16
Apr	58.14	57.92	59.04
May	65.66	64.16	64.24
Jun	74.85	76.86	76.47
Jul	70.87	72.33	71.54
Aug	80.26	79.11	78.72
Sep	74.10	74.70	74.91
Oct	76.13	79.53	80.07
Nov	77.99	83.99	85.03
Dec*	79.04	82.31	83.56



* Up to 11th December Source: Central Bank of Sri Lanka

Global Commodity Outlook

The slowing of global growth caused commodity prices to start falling in mid 2008. Demand for most commodities particularly in high income countries and in China slowed. As a result, crude oil dropped to US\$ 41 a barrel while non-energy prices including food declined by about 40 percent. Since December the prices have firmed, with crude oil prices up to US\$ 77 on average in November 2009 and for foods and metals up 22 and 13 percent respectively.

Though the medium term prospects for crude oil are difficult to judge, the consensus is for a further increase in oil prices. Metals prices are expected to be relatively stable over the coming months. The prices of most agricultural commodities have fallen to pre-crisis levels as improved supplies resulting from favourable harvests have boosted global stocks of most agricultural commodities. Future agricultural markets are likely to remain well supplied, as stocks are beginning to return to normal levels, although weather related production problems could always intervene.

2.5 Weekly Wholesale Commodity Prices

Pettah Market

Average Wholesale Prices	Week Ending 11/12/2009	Week Ago	Month Ago	Year Ago
Rice (Rs/Kg)				
Samba	72.50	68.00	69.38	70.21
Kekulu (Red)	62.50	59.00	60.00	60.14
Vegetable				
Beans	80.00	95.00	106.25	81.73
Cabbage	70.00	70.00	39.38	43.64
Carrots	100.00	95.00	71.78	68.77
Tomatoes	40.00	40.00	43.13	67.58
Pumpkins	40.00	40.00	33.75	27.89
Snake Gourd	60.00	70.00	46.25	39.91
Brinjals	70.00	90.00	56.88	51.84
Ash Plantains	70.00	75.00	62.50	44.95
Red-Onions (Local)				
Big-Onions (Local)	125.00	105.00	96.99	92.57
Potatoes (N'Eliya)	n.a	n.a	71.25	52.60
Dried Chilies (Imported)	117.50	105.00	105.50	67.75
Dhal (Indian)	183.00	188.00	190.75	172.09
Eggs (Red) (Each)	150.00	145.00	157.00	172.04
Coconut (Each)	14.50	13.50	10.23	8.82
	25.00	25.00	25.13	28.33
Fish (Rs/Kg)				
Kelawalla	300.00	360.00	266.25	277.80
Balaya	190.00	160.00	165.00	195.00
Salaya	n.a.	110.00	71.25	84.76
Paraw (Small)	300.00	240.00	291.25	311.54

Source: Central Bank of Sri Lanka

Dambulla Market

Week Ending - 11 December 2009 (Rs/Kg)

Food Item	Wholesale (Average)
Rice (Rs/Kg)	
Samba	68.50
Kekulu (Red)	57.00
Vegetables	
Pumpkins	31.10
Snake Gourd	41.80
Ash Plantains	57.30
Beans	64.50
Carrots	85.00
Tomatoes	26.80
Other Foods	
Potatoes (N'Eliya)	100.50
Dried Chilies (Imported)	188.00
Big-Onions (Local)	122.50
Red-Onions (Local)	113.33
Coconut (Each)	23.00

Source: Central Bank of Sri Lanka

Marandagahamula Average Price of Rice (Rs/Kg)

Item	Week Ending 11/12/09	Week Ago	Month Ago	Year Ago
Samba	72.90	68.65	68.21	65.21
Sudu kekulu	59.50	58.58	58.45	55.77
Raw Red	57.50	56.14	56.32	57.08
Nadu	63.10	60.50	59.33	56.67

Source: Central Bank of Sri Lanka

The wholesale prices of Samba and Kekulu averaged at around Rs. 71.30 per kg and Rs. 59.67 respectively. This is about a 5 percent and 3 percent increase over the last week.

The price of red onions increased by about Rs. 20 a kilo in Pettah market due to limited stocks.

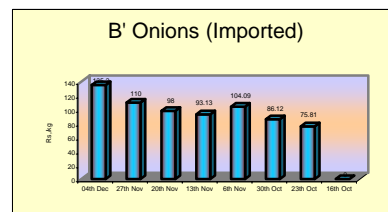
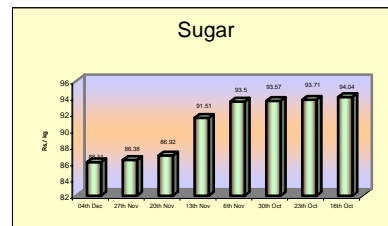
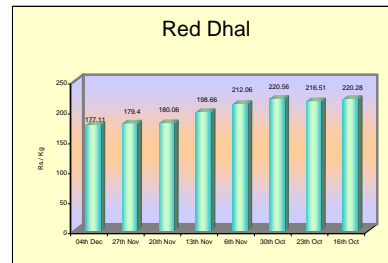
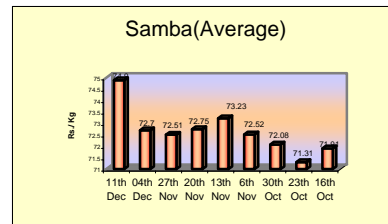
Wholesale prices of all varieties of vegetables slightly declined except carrots with a considerable supply. The price of beans continued to decline to Rs. 80 a kg. Meanwhile the price of egg increased Rs.14.50 this week from Rs. 13.50 last week.

2.6 Weekly Retail Commodity Prices

Weekly Retail Commodity Prices 2nd week of December 2009

Item	Unit	Colombo				
		This Week	Price Range	Week Ago	Month Ago	Year Ago
Rice						
Samba						
(Avg.)	1 kg	74.90	70.00-82.50	72.70	72.52	72.52
No. 1	1 kg	76.02	70.00-82.50	75.24	73.31	74.74
No. 2	1kg	73.77	70.00-78.00	70.15	71.74	70.30
Nadu Red	1kg	73.00	65.00-80.00	69.33	70.81	71.04
Raw Red						
(Avg.)	1kg	64.07	58.00-70.00	63.31	63.33	63.09
No. 1	1kg	65.09	60.00-70.00	65.31	64.92	64.54
No. 2	1kg	63.05	58.00-70.00	61.31	61.74	61.64
Wheat Flour	1 kg	71.33	68.00-75.00	72.15	72.15	69.79
Bread	400g	38.14	35.00-40.00	38.14	39.67	37.37
Sugar	1 kg	86.30	80.00-90.00	86.11	93.50	64.38
Anchor	400g	225.00	225.00	225.00	245.00	275.00
Potatoes						
(Imported)	1 kg	97.31	70.00-120.00	100.42	95.00	70.06
Potatoes (Local)	1kg	130.67	100.00-180.00	130.00	118.27	89.66
Red Dhal	1kg	176.79	149.00-220.00	177.11	212.06	209.87
Meat						
Beef	1kg	405.71	380.00-420.00	406.25	405.71	376.30
Chicken						
Fresh	1kg	419.05	380.00-450.00	407.78	393.25	342.04
Broiler	1kg	319.62	315.00-320.00	319.62	319.17	317.04
Fresh Fish						
Paraw	1 kg	530.88	380.00-700.00	515.29	519.44	521.00
Balaya	1 kg	342.67	260.00-400.00	357.14	360.00	348.92
Kelawalla	1 kg	540.42	400.00-640.00	510.95	446.47	479.58
Salaya	1 kg	130.00	90.00-180.00	123.04	106.88	105.07
Dried Fish						
Sprats	1 kg	346.53	300.00-400.00	358.24	370.31	354.01
Eggs	Each	15.09	14.00-16.00	13.98	10.82	10.00
Coconut	Each	28.41	20.00-35.00	27.74	25.09	27.32
750						
Coconut Oil	ml	143.75	130.00-160.00	142.29	141.97	131.84
Red Onions	1 kg	161.88	120.00-200.00	143.06	114.23	102.08
Big Onions						
(Imported)	1 kg	130.34	110.00-160.00	135.20	104.09	94.89
Brinjal	1kg	110.86	80.00-160.00	99.20	85.21	78.00
Beans Green	1 kg	117.81	80.00-160.00	145.15	122.76	98.39
Cabbage	1 kg	105.76	70.00-120.00	86.43	85.00	68.68
Kerosene oil	1 liter	51.00	51.00	51.00	51.00	60.00
Diesel (CPC)	1 liter	73.00	73.00	73.00	73.00	80.00
Petrol	1 liter	130.00	130.00	130.00	130.00	142.00
12.5k				1,550.		
Gas (Shell)	g	1,550.00	1,550.00	00	1,550.00	1,860.00

Source: Department of Census and Statistics



Retail prices of the Samba and Nadu varieties averaged at around Rs. 74.90 a kilo and Rs. 64.07 a kilo respectively.

The prices of potatoes, red dhal and big onions (imported) declined this week as against the previous week. However, the prices of fresh fish, eggs, coconut & high grown vegetables increased this week due to high demand.

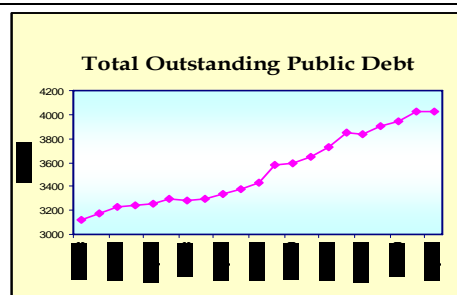
Price of imported big onion decreased by around Rs. 15 a kilo and stood at around Rs. 130 a kilo. Price of red-onions was Rs. 162 a kilo, an increase of Rs. 18 a kilo over the previous week. This price hike will normalize in the coming week.

3. Public Debt and External Sector

3.1 Public Debt

Public Debt (Rs.bn)	End Sep 2009	Month ago
Total Domestic Debt	2,328.8	2,380.9
Total Foreign Debt	1,694.8	1,639.7
Total Outstanding Public Debt	4,023.6	4,020.5

Source: Central Bank of Sri Lanka



3.2 External Finance

External Assets (US\$ Mn)	Oct 2009	Sep 2009	Aug 2009	July 2009	June 2009	Oct 2008	Sep 2008	Aug 2008	July 2008	June 2008	Growth 2008/09 (%)
Total Reserves	6,737.1	5,929.0	5,479.8	3,151.0	3,033.2	3,627.4	4,543.5	4,745.9	5,014.5	4,439.6	85.7
Gross Official Reserves	4,821.5	4,213.7	3,890.1	2,189.3	1,618.4	2,374.0	3,185.4	3,424.4	3,558.0	3,433.0	103.09

Source: Central Bank of Sri Lanka

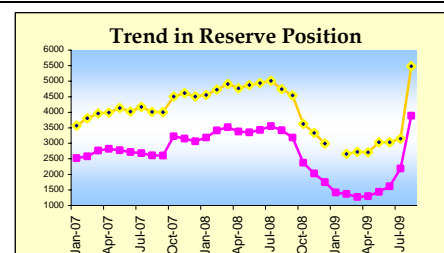
Official Reserves

With and without Asian Clearing Union(ACU) funds, the gross official reserves recorded US\$ 5,045 million and US\$ 4,822 million by end October, 2009. The gross official reserves are sufficient to cover 6.2 and 5.9 months of imports accordingly. The total reserves stood at us \$ 6,737 mn by the end of October, 2009.

3.3 Private Remittances (US\$ Mn.)

Category	2009 Jan-Sep	2008 Jan-Sep	% Change
Inflows	2,481.4	2,248.9	10.3
Outflows	234.7	224.8	4.4
Net flows	2,246.7	2,024.1	11.0

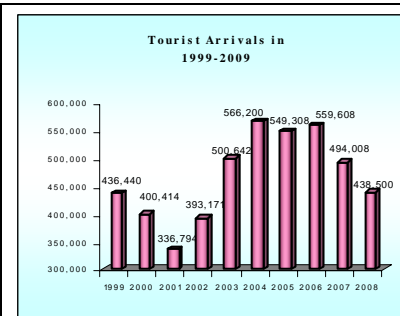
Source: Central Bank of Sri Lanka



3.4 Tourist Arrivals and Earnings by Month (2007-09)

Month	Arrivals				Earnings (US \$ Mn.)			
	2007	2008	2009	% change 2008/09	2007	2008	2009	% change 2008/09
January	56,571	56,916	38,468	-32.4	49.1	44.4	30.0	-32.4
February	43,033	40,551	34,169	-15.7	37.3	31.6	26.7	-15.5
March	35,031	38,049	34,065	-10.5	30.4	29.7	26.5	-10.8
April	33,039	29,747	26,054	-12.4	14.0	23.2	20.4	-12.1
May	26,307	31,140	24,739	-20.6	20.5	24.3	19.3	-20.6
June	30,810	27,960	30,234	8.1	24.0	21.8	23.5	7.8
July	44,202	32,982	42,227	28.0	34.5	25.7	33.0	28.4
August	44,682	30,672	41,207	34.3	34.9	24.0	32.1	33.8
September	37,104	29,529	37,983	28.6	28.9	23.0	30.2	31.3
October	39,565	35,103	37,571	7.03	30.05	27.4	28.7	4.74
November	42,548	36,901			34.05	28.8		
December	61,116	48,950			47.6	38.1		
Total	494,008	438,500	346,717		385.3	342	270.4	

Source: Sri Lanka Tourist Board

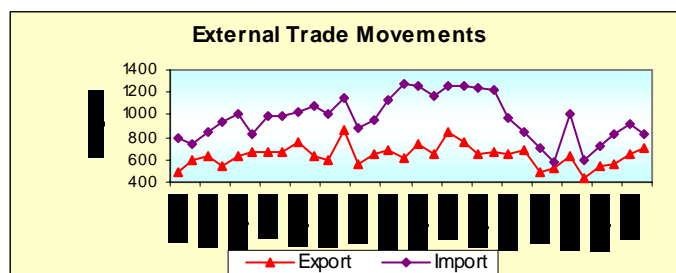


With increasing trend in tourist arrivals since June, 2009, arrivals in October 2009 increased by 7 percent to 37,571 persons. Accordingly, the earnings from the tourists also increased by about 5 percent amounting US\$ 28.7 million.

3.5 External Trade

Category	Sep 2009 (US\$ Mn)	Sep 2008 (US\$ Mn)	Growth 2008/09 (%)	Jan-Sep 2009 Cumulative (US\$ Mn.)	Jan-Sep 2008 Cumulative (US\$ Mn.)	Growth 2008/09 (%)
Exports	568.23	651.79	-12.82	5,119.49	6,149.72	-16.75
Agriculture	148.42	168.71	-12.03	1,199.46	1,450.25	-17.29
Tea	108.52	109.56	-0.95	846.80	995.15	-14.91
Other	39.9	59.15	-32.54	352.66	455.1	-22.50
Industrial	408.96	467.03	-12.43	3,850.97	4,593.83	-16.17
Food, Beverages and Tobacco	26.58	36.71	-27.60	312.33	347.89	-10.22
Textiles and Garments	241.14	253.43	-4.85	2,403.45	2,524.31	-4.79
Rubber products	34.37	38.52	-10.77	259.76	420.82	-38.27
Diamond and Jewellery	33.53	40.48	-17.16	229.55	319.07	-28.06
Other	73.34	97.89	-25.07	645.88	981.74	-34.21
Mineral	10.86	16.05	-32.35	69.06	105.63	-34.62
Unclassified	0.00	0.00	0.00	0.00	0.01	-75.34
Imports	788.54	1,234.33	-36.12	6,967.24	10,764.27	-35.27
Consumer goods	160.13	178.87	-10.47	1,395.96	1,961.80	-28.84
Food & Drink	98.16	91.33	7.47	896.98	1,168.04	-23.21
Other Consumer Goods	61.98	87.54	-29.20	498.99	793.76	-37.14
Motor Cars & Cycles	16.71	29.22	-42.83	109.74	305.95	-64.13
Intermediate goods	450.61	767.88	-41.32	3,878.29	6,460.97	-39.07
Petroleum	140.45	288.97	-51.40	1,425.97	2,796.79	-49.01
Fertilizer	17.32	69.85	-75.20	98.57	373.83	-73.63
Chemicals	31.10	32.85	-5.34	219.72	274.24	-19.88
Textiles & Clothing	124.81	155.63	-19.80	1,040.07	1,244.52	-16.43
Diamonds	16.50	36.22	-54.45	188.15	293.83	-35.97
Other Intermediate Goods	120.43	184.35	-34.67	905.82	1,477.76	-38.70
Investment goods	167.49	237.33	-37.35	1,603.36	2,243.36	-28.53
Machinery & Equipment	65.24	112.14	-41.82	680.69	1,010.58	-32.64
Transport Equipment	27.00	25.06	7.72	221.03	268.35	-17.64
Building Materials	50.42	86.94	-42.00	489.75	701.58	-30.19
Other Investment Goods	24.82	43.18	-42.52	211.89	262.85	-19.39
Unclassified	10.31	20.26	-49.12	89.63	98.14	-8.67
Trade Balance	-220.31	-582.54	-62.18	-1,847.75	-4,614.55	-59.96

Source: Central Bank of Sri Lanka



Continued Decline Trade Deficit...

Trade deficit contracted by 60 percent to US \$ 1,848 million in the first nine months of 2009 from US \$ 4,615 million in the reference period of 2008. Exports during the period were US \$ 5,119 million, a decline of 16.8 percent over the review period of 2008. The expenditure on imports in the first nine months of 2009 declined by 35.3 percent to US \$ 6,967 million compared in the corresponding period of 2008.

The trade deficit for the month of September contracted for the nine consecutive month ending September 2009 by 62.2 percent to US \$ 220 million.

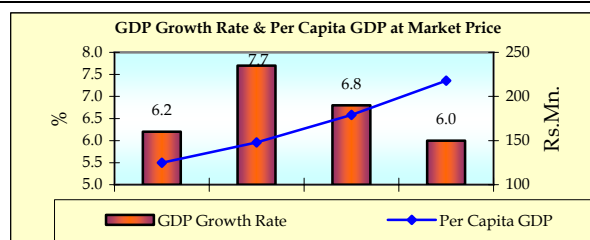
Reversing the increasing trend in exports, the exports in September 2009 declined by 12.8 percent (year-on-year) to US\$ 568 million.

This is a seasonal pattern. This decline was mainly due to the decrease in industrial exports earnings coming from the garments and textiles, food and beverages. Expenditure on imports declined by 36.1 percent to US \$ 789 million in September 2009 due to a lower demand of consumer, intermediate and investment goods.

4. Production

4.1 Quarterly GDP Growth (%)

	2009 2 nd Quarter	2008 2 nd Quarter	2008 Annual
Agriculture	4.4	7.4	7.5
Industry	3.0	6.9	5.9
Service	1.1	6.9	5.6
GDP	2.1	7.0	6.0



Source: Department of Census & Statistics

Signs of Recovery....

Demonstrating the signs of recovery from the adverse impact of the global economic and financial crisis, the economy displayed its capacity to recover such shocks with the GDP picking up by 2.1 percent in the second quarter of 2009 in comparison to 7 percent recorded during the second half of 2008. This growth has largely been supported by a relatively favorable growth in the agriculture sector showing 4.4 percent growth in the second quarter of 2009 which, however, was relatively lower than that of 2008 mainly due to contraction in the production and export of tea and the export of agricultural crops. The industry sector grew by 3 percent, and sector growth decelerated mainly due to the low performance of export market oriented industries as a result of the global economic slowdown while the services sector recorded the lowest growth of 1.1 percent due to the contraction in wholesale and retail trade and hotels and restaurants sub sectors amidst the global economic slowdown and the overall slowdown in economic activity.

4.2 Paddy Statistics

Category	2008			2009		
	2007/2008 Maha	2008 Yala	Total	2008/2009 Maha	2009 Yala	Total
Production						
Mn.Mt	2.12	1.75	3.87	2.38	1.25	3.63
Bushels mn.	101	84	185	114	60	174
Harvested Area						
Hectares ('000)	568	465	1,033	605	300	905
Acres ('000)	1,404	1,148	2,552	1,494	825	2,319
Average Yield						

Source: Department of Census & Statistics

A paddy production of 3.63 million mt was recorded in 2009, a slight decrease of 6.2 percent over 2008 mainly due to a decrease in expected production in the Yala season. Paddy production in the Maha 2008/09 season increased by 12.2 percent to 2.38 million mt compared with the corresponding season of 2008 due to favorable weather coupled with a substantial contribution from the Eastern Province which registered an increase of 37.4 percent. Paddy production in the Yala season has been estimated at around 1.25 million mt, a decrease of 29 percent due to the reduction in the extent cultivated caused by a delay in the release of water for cultivation in major/minor irrigation systems.

4.3 Tea, Rubber & Coconut Production

Category	2009 Jan-Oct	2008 Jan-Oct	% Change
Tea (Mn. Kg)	234.8	274.4	-14.4
Rubber (Mn. Kg)	113.8	109.8	3.6
Coconut (Mn. Nuts)	2,407.7	2,245.7	7.2

Source: Central Bank of Sri Lanka

4.4 Extent, Production and Cost of Production of Tea, Rubber & Coconut

Year	Tea			Rubber			Coconut		
	Extent (Hectares)	Production MT	COP (Rs/Kg)	Extent (Hectares)	Production MT	COP (Rs/Kg)	Extent (Hectares)	Production MT	COP (Rs/Kg)
2002	212,715	310,030	121.97	116,478	90,520	55.74	394,836	2,459	3,584
2003	212,715	303,229	126.72	116,478	92,009	59.76	394,836	2,512	4,135
2004	212,715	308,089	133.09	116,478	94,700	65.98	394,836	2,590	4,774
2005	212,715	317,200	149.13	116,478	104,352	72.56	394,836	2,515	4,870
2006	212,715	310,800	161.98	116,478	109,135	87.65	394,836	2,684	5,436
2007	212,715	304,600	210.75	116,478	117,600	102.31	394,836	2,805	6,124
2008	221,969	318,700	231.49	116,478	129,243	119.89	394,836	2,909	8,795

Source: , Sri Lanka Tea Board, Rubber Development Department, Coconut Development Authority, Department of census and Statistics

4.5 Production of Cereals, Pulses & Vegetables

District	2008						2009		
	Extent (Hectares)			Production (MT)			Extent (Hectares)		
	Yala	Maha	Total	Yala	Maha	Total	Maha	Total	Total
Cereals									
Maize	8,744	42,864	51,608	21,241	91,046	112,287	44,786	44,786	114,655
Kurakkan	1,056	5,023	6,079	1,093	5,418	6,511	5,024	5,024	5,571
Sorghum	47	124	171	61	153	214	108	108	135
Meneri	23	29	51	19	11	30	10	10	6
Pulses									
Green gram	2,233	7,123	9,356	2,335	6,543	8,878	6,674	6,674	7,516
Cowpea	4,496	7,655	12,152	4,354	7,598	11,952	8,488	8,488	10,062
Black gram	1,293	7,025	8,319	1,900	7,577	9,477	7,496	7,496	6,595
Red onions	2,391	2,487	4,879	24,758	24,532	49,290	2,175	2,175	21,041
Soya Beans	1,007	219	1,226	2,718	314	3,032	425	425	796
Oil Seeds									
Ground Nuts	2,549	7,723	10,272	2,498	7,753	10,251	6,877	6,877	10,203
Gingelly	6,641	2,871	9,512	4,868	1,469	6,337	2,412	2,412	1,477
Musterd	25	385	410	17	294	311	323	323	281
Roots & Tubers									
Manioc	9,948	13,986	23,934	100,138	140,593	240,731	14,706	14,706	178,707
Sweet Potatoes	2,964	3,935	6,899	23,582	28,884	52,466	3,513	3,513	26,994
Big Onions	3,871	219	4,090	55,497	1,874	57,371	182	182	1,347
Ginger (Raw)		1,911	1,911		10,053	10,053	1,892	1,892	10,780
Turmaric (Raw)		997	997		7,135	7,135	997	997	7,747
Low Country Vegetables									
Luffa	1,755	2,562	4,318	16,011	17,824	33,835	2,638	2,638	23,444
Bandakka	3,237	4,364	7,600	24,075	28,053	52,128	4,192	4,192	33,928
Snake Gourd	1,449	1,956	3,405	15,516	16,756	32,272	1,921	1,921	20,339
Brinjals	4,661	6,781	11,442	43,474	60,690	104,164	6,535	6,535	67,374
Bitter Groud	1,798	2,736	4,534	17,125	20,820	37,945	2,476	2,476	23,789
Cucumber	1,362	1,891	3,252	13,508	17,553	31,061	1,774	1,774	18,540
Ash Pumpkin	402	744	1,146	3,503	6,374	9,877	666	666	6,396
Red Pumpkin	2,590	5,147	7,738	33,219	54,003	87,222	5,661	5,661	65,028
Ash Plantain	4,060	5,343	9,403	39,088	39,311	78,399	5,121	5,121	44,981
Up Country Vegetables									
Tomatoes	3,549	4,185	7,734	36,202	48,496	84,698	4,020	4,020	41,930
Cabbage	1,825	2,634	4,460	27,290	49,638	76,928	2,316	2,316	35,682
Beans	3,378	4,685	8,063	16,900	25,662	42,562	4,615	4,615	24,009
Leeks	769	911	1,680	12,842	14,281	27,123	861	861	12,657
Beetroot	1,218	1,152	2,369	12,257	13,621	25,878	1,336	1,336	12,732
Knolkhol	778	733	1,511	7,150	8,792	15,942	683	683	5,428
Carrot	1,230	1,795	3,025	15,850	24,165	40,015	1,615	1,615	18,919
Raddish	1,505	2,047	3,552	16,355	21,475	37,830	1,996	1,996	18,822
Capsicum	1,462	2,016	3,478	5,849	9,062	14,911	1,818	1,818	8,324
Other									
Chillies (Green)	4,920	9,883	14,803	17,598	33,405	51,003	9,479	9,479	33,246
Cigar Tobacco	329	500	829	538	789	1,327	403	403	613
Beedi/Chewing Tobacco	257	1,045	1,302	433	2,005	2,438	880	880	1,546

Source: Department of Census & Statistics