



FISCAL MANAGEMENT REPORT 2016

20th NOVEMBER 2015

**MINISTRY OF FINANCE
SRI LANKA**



FISCAL MANAGEMENT REPORT 2016

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Minister of Finance**

20th NOVEMBER 2015

Issued under the Fiscal Management (Responsibility) Act, No. 3 of 2003, consisting of the Fiscal Strategy Statement - 2016 (in compliance with Sections 4, 5 and 6) and the Budget, Economic and Fiscal Position Report - 2016 (in compliance with Sections 7, 8 and 9) by the Hon. Minister of Finance.

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Key Economic Indicators

Indicator	Period	Unit	Value	
			2014	2015
REAL SECTOR				
Economic Growth	First Half	%	1.3	5.6
Agriculture	First Half	%	-0.7	3.3
Industry	First Half	%	-4.5	1.3
Services	First Half	%	4.2	7.1
Inflation (Point to Point)	End Oct	%	1.6	1.7
Inflation (Average)	End Oct	%	3.8	0.7
Unemployment Rate	First Half	%	4.3	4.6
Labour Force Participation Rate	First Half	%	53.5	53.9
FISCAL SECTOR				
Budget Deficit	Jan-Sep	Rs. Mn.	-489,791	-572,991
Total Revenue	Jan-Sep	Rs. Mn.	828,191	958,892
Tax Revenue	Jan-Sep	Rs. Mn.	752,180	888,241
Non Tax Revenue	Jan-Sep	Rs. Mn.	76,011	70,651
Total Expenditure	Jan-Sep	Rs. Mn.	1,326,694	1,532,544
Recurrent Expenditure	Jan-Sep	Rs. Mn.	962,076	1,213,087
Public Investment	Jan-Sep	Rs. Mn.	375,872	311,442
Government Debt	End June	Rs. Bn.	7,341	7,938
EXTERNAL SECTOR				
Exports	Jan-Aug	US\$ Mn.	7,399	7,147
Agriculture Exports	Jan-Aug	US\$ Mn.	1,848	1,678
Industrial Exports	Jan-Aug	US\$ Mn.	5,492	5,446
o/w Textile and Garments	Jan-Aug	US\$ Mn.	3,256	3,219
Other	Jan-Aug	US\$ Mn.	2,236	2,227
Imports	Jan-Aug	US\$ Mn.	12,555	12,559
Consumer Goods	Jan-Aug	US\$ Mn.	2,288	3,142
Intermediate Goods	Jan-Aug	US\$ Mn.	7,739	6,397
o/w Petroleum Products	Jan-Aug	US\$ Mn.	3,449	1,789
Investment Goods	Jan-Aug	US\$ Mn.	2,519	3,007
Trade Balance	Jan-Aug	US\$ Mn.	-5,156	-5,412
Tourist Arrivals	Jan-Sep	No.	1,107,178	1,315,839
Earnings From Tourism	Jan-Sep	US\$ Mn.	1,763	2,095
Workers' Remittances	Jan-Aug	US\$ Mn.	4,515	4,598
Portfolio Investments (Net)	Jan-Aug	US\$ Mn.	57	8
Overall Balance of Payments (BOP)	Jan-Aug	US\$ Mn.	2,150	-1,795
Gross Official Reserves	End Aug	US\$ Mn.	9,186	6,458
Exchange Rate (End Month)	End Oct	Rs.perUS\$	130.84	140.85
Exchange Rate (Monthly Average)	Jan- Oct	Rs.per US\$	130.60	140.89
MONETARY SECTOR				
Standing Deposit Facility Rate (SDFR)	End Oct	%	6.50	6.00
Standing Lending Facility Rate (SLFR)	End Oct	%	8.00	7.50
Statutory Reserve Requirement (SRR)	End Oct	%	6.00	6.00
Commercial Bank Weekly Average Weighted Prime Lending Rate (AWPR)	End Oct	%	6.45	7.24
Sri Lanka Inter Bank Offer Rate (SLIBOR) (1 Month)	End Oct	%	6.60	6.78
W.A. Yield Rate of Treasury Bills (91 Days)	End Oct	%	6.15	6.61
W.A. Yield Rate of Treasury Bills (364 Days)	End Oct	%	6.00	7.06
Growth in Money Supply (M _{2b})	Aug 2015/Aug 2014	%	12.3	16.8
Growth in Credit to the Private Sector	Aug 2015/Aug 2014	%	2.6	21.3

Reporting Requirements Under the Fiscal Management (Responsibility) Act, No. 3 of 2003

Section	Requirement	Required Contents	Compliance
Sections 4, 5 and 6	Submission of the Fiscal Strategy Statement *	Fiscal Strategy Statement to increase public awareness of the Government's fiscal policy and establish standards for evaluating the conduct of the Government's fiscal strategy.	To be released to the public and laid before Parliament on the day of the second reading of the Appropriation Bill.
Sections 7, 8 and 9	Submission of the Budget, Economic and Fiscal Position Report *	The Budget, Economic and Fiscal Position Report to set out the basis to evaluate the Government's fiscal performance as against its fiscal strategy.	To be released to the public and placed before Parliament on the day of the second reading of the Appropriation Bill.
Sections 10, 11 and 12	Submission of the Mid-year Fiscal Position Report *	Mid-year Fiscal Position Report to provide updated information of the Government's fiscal performance pertaining to the first four months of the relevant year, to enable an evaluation of the same against the Government's fiscal strategy.	To be released to the public by the last day of June or prior to the lapse of 6 months from the date of passing of the Appropriation Act, whichever is later; and to be placed before the Parliament within two weeks from the date of such release.
Sections 13, 14 and 15	Submission of the Final Budget Position Report (Annual Report)*	Final Budget Position Report (Annual Report) to provide updated information of the Government's fiscal performance pertaining to the relevant financial year, to enable an evaluation of the same against the Government's fiscal strategy.	To be released to the public within five months from the end of the Financial Year and placed before Parliament within two weeks from the date of such release.
Sections 16, 17, 18 and 19	Submission of Pre-election Budgetary Position Report **	Pre-election Budgetary Position Report to provide updated information of the fiscal position of the country.	To be released to the public within three weeks of the publication of the proclamation order requiring the holding of a general election for the election of Members of Parliament and placed before Parliament within two weeks of the first sitting of the new Parliament.

* By the Minister of Finance

** By the Secretary to Ministry of Finance

Compliance - 2015

- **Final Budget Position Report - The Annual Report - 2014 of the Ministry of Finance** stating the fiscal and economic position of 2014 was released to the public by end May 2015 and was soon thereafter placed before Parliament.
- **Mid-Year Fiscal Position Report- 2015** was released to the public by end June 2015 and was soon thereafter placed before Parliament.
- **Pre-election Budgetary Position Report - 2015** was released to the public on 17th July 2015 and was soon thereafter placed before Parliament.

This Fiscal Management Report-2016 contains:

- **Fiscal Strategy Statement-2016**, setting out the Government's fiscal strategy statement indicating the broad strategic priorities specifying key fiscal measures, which the Government considers important for the overall fiscal policy, to be placed before Parliament on the day of the second reading of the Appropriation Bill.
- **Budget, Economic and Fiscal Position Report - 2016** setting out the basis to evaluate the Government's fiscal performance as against its fiscal strategy, with estimates relating to Government revenue, expenditure and Government borrowing etc. to be placed before Parliament on the day of the second reading of the Appropriation Bill.

PART I

Fiscal Strategy Statement – 2016
Issued by the Hon. Minister of Finance
Under sections 4, 5 and 6 of the Fiscal Management (Responsibility) Act,
No. 3 of 2003

This report is issued under Sections 4, 5 and 6 of the Fiscal Management (Responsibility) Act, No. 3 of 2003 where the Minister of Finance is required to present the Fiscal Strategy Statement of the Government to the public and also lay before Parliament on the day of the second reading of the Appropriation Bill in Parliament.

This report explains the broad strategic priorities on which the budget is based while specifying the key fiscal measures which the Government considers important in view of the strategy and the overall fiscal policy to be implemented.

1. MEDIUM TERM FISCAL STRATEGY

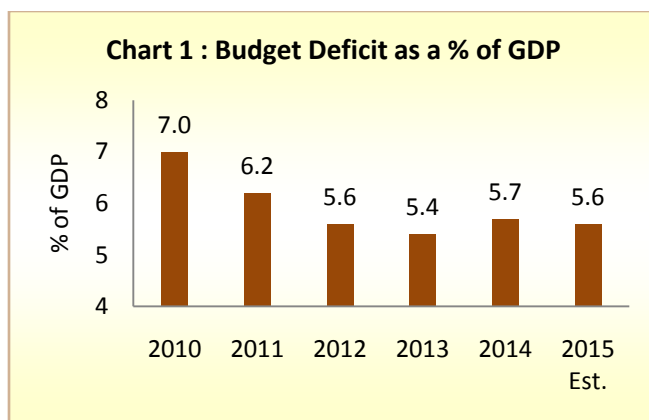
1.1 Overview

The overall fiscal policy strategy of government has been designed to support the broad based development objective of improving and enhancing living standards of the people, in line with the policy direction provided by new government which was dawned on January 8, 2015 and further reinforced following the General Election on August 17, 2015. New economic policy is based on multi disciplined economic strength through improving local competitiveness, international trade and investments. The economic foundation lies on a knowledge based Social Market Economy built on social justice principles. The main focus areas to foster the economy are the availability of global opportunities for education and strengthening the health system. Government has earmarked the medium term thrust areas to generate one million employment opportunities, enhance income, develop rural economies, ensure land ownership to rural and estate sectors, the middle class and government employees and also create a wide and a strong middle class in the country. To achieve this, the importance of making a constant refinement in policy strategies to address risks and sustain medium term prospects of high investment and growth momentum with economic stability has been recognized. In this process, the role

of local and foreign investments is critical for providing the impetus to the formation of capital and enhancement of access to the markets.

Revenue enhancement lies at the centre of the fiscal strategy. The medium term fiscal strategy has been formulated to consolidate budget deficit and public debt on a sustainable basis to maintain them within the level required to support public outlays. Accordingly, priority has been assigned for a sustained path of fiscal consolidation on a combination of expenditure rationalization and durable revenue enhancing efforts in order to achieve macroeconomic stability in the country.

The overall budget deficit is expected to reduce below 5 percent of GDP by 2018 aiming at a deficit of 3.5 percent by 2020 as per the Government's Economic Policy Statement. The envisaged level of deficit will also provide greater flexibility to the Central Bank to conduct its monetary policy towards further consolidating price stability with lower and stable inflation. Hence, well co-ordinated fiscal and monetary policies will enable the country to maintain a low and stable interest rate and exchange rate regime that will be conducive for a rapid and sustainable expansion in investment and growth.



1.2 Medium Term Fiscal Strategy

In line with policy direction of the government, the overall fiscal policy strategy has been formulated in order to support the broad-based development objectives in the Medium Term Macro Fiscal Framework (MTMFF). Reduction in fiscal deficit is to be realized in a framework of maintaining public investment at around 5-6 percent of GDP. The fiscal operations are guided by the Fiscal Management (Responsibility) Act, No. 3 of 2003, which provides a legal framework to consolidate fiscal deficits and associated debt while promoting fiscal accountability. The fiscal targets are also aimed at curtailing the underlying deficit in the revenue account. Consequently, revenue deficit is expected to reduce from 1.2 percent of GDP in 2014 to 0.8 percent of GDP by 2016 and turning into a surplus by 2017 and beyond. The improvement in revenue account will support the reduction in budget deficit below 5 percent of GDP in the medium term.

The fiscal strategy emphasizes the further fiscal consolidation, achieving

macroeconomic stability to become one of the strongest economies of Asia. Hence, the strategy envisages to:

- augment government revenue to 15-16 percent of GDP;
- reduce the budget deficit to below 5 percent of GDP over 2016-2018 in a framework of maintaining public investment at around 5-6 percent of GDP;
- contain the outstanding government debt to around 69 percent of GDP by 2017 and lower it further thereafter; and
- target the welfare expenditure to protect the most vulnerable sectors in society.

The fiscal targets envisaged in the previous Fiscal Management Reports have taken a longer than expected time to accomplish given the challenges confronted in domestic as well as international environment. The expected tax and administrative reforms coupled with efficiency gains in public expenditure management are envisaged to provide a greater fiscal consolidation in the medium term.

Table 1: Medium Term Macro Fiscal Framework : 2015-2018**(As a percentage of GDP)**

Indicator	2014	2015	2016	Projections	
		Revised	Estimated	2017	2018
Total Revenue and Grants	12.3	13.3	14.6	15.4	15.9
Total Revenue	12.2	13.2	14.5	15.3	15.7
Tax Revenue	10.2	11.4	11.6	12.6	13.0
Income Tax	1.9	2.2	2.1	2.2	2.3
VAT	2.7	2.0	2.1	2.3	2.5
Excise Tax	2.5	4.2	4.2	4.5	4.6
Tax on External Trade	2.3	2.2	2.4	2.6	2.7
Other	0.8	0.8	0.9	0.9	0.9
Non Tax Revenue	1.4	1.2	2.3	2.2	2.1
PC Tax Sharing & Devolved Revenue	0.6	0.5	0.5	0.5	0.5
Grants	0.1	0.1	0.2	0.1	0.1
Total Expenditure	18.1	18.8	20.3	20.0	19.8
Recurrent Expenditure	13.4	14.6	15.3	15.0	14.6
Salaries and Wages	4.3	5.0	4.9	4.6	4.4
Interest Payments	4.2	4.4	4.2	4.0	3.9
Subsidies and Transfers	3.1	3.4	3.3	3.4	3.4
Other Goods and Services	1.2	1.3	2.4	2.5	2.4
Expenses from PC Revenue	0.6	0.5	0.5	0.5	0.5
Public Investment	4.7	4.4	5.0	5.2	5.4
o/w Roads	1.5	1.7	1.0	1.1	1.8
Education	0.4	0.4	0.5	0.6	0.7
Health	0.2	0.4	0.5	0.5	0.6
Irrigation	0.4	0.4	0.6	0.6	0.6
Transport	0.5	0.5	0.4	0.4	0.4
Revenue Deficit(-)/Surplus(+)(% of GDP)	-1.2	-1.4	-0.8	0.3	1.1
Budget Deficit(-)/Surplus(+)(% of GDP)	-5.7	-5.6	-5.6	-4.6	-4.0
Government Debt (% of GDP)	71.8	71.6	70.5	68.4	65.9

Sources: Department of Fiscal Policy and Department of National Budget

The decline in government revenue to GDP ratio has been a major concern in the fiscal sector over the years and it has decelerated to 12.2 percent of GDP in 2014 from more than 20 percent achieved prior to 1995 due to the containment of tax revenue to GDP ratio. This decline limits the space required for public investment. It is expected to record a significant improvement in tax revenue, when present a series of tax reforms to generate a revenue-elastic tax system and reforms in tax administration as well. Also, the direct tax revenue to indirect tax ratio remains 20:80 over the years which requires major reforms, such as

strengthening the tax management and the removal of tax holidays and benefits to change the ratio to 40:60 in the medium term. Consequently, the exports to GDP ratio has halved to 15 percent in 2014 from 30 percent in 2000, reflecting a need for a overall competitiveness of exports while promoting technology based exports. In addition, the economy relies heavily on the growth of non-tradable services sector which shares about 60 percent to GDP led by trade, transport, real estate and financial services. However, the most of services related activities have been given tax exemptions or concessions eroding the mobilization of government revenue.

Therefore, this requires rationalization of exemptions in order to maintain revenue buoyancy in the medium term.

Emphasis has also given to rationalize these tax exemptions and concessions. The improvement in tax administration through a Revenue Administration Management Information System (RAMIS) at the Inland Revenue Department (IRD) and “Single Window” at the Sri Lanka Customs (SLC) and Integrated Treasury Management Information System (ITMIS) at the General Treasury are expected to facilitate greater

self-compliance and efficiency gain in achieving these targets. The buoyancy of the tax system is expected to be improved in the medium term. However, uncertainty heightened in the world economic and financial outlook stemming from a slower than expected economic recovery of the advanced economies, scaled-down growth forecasts of China, financial market volatility and geopolitical tensions in Russia and the Middle East has ramification effects on the fiscal sector targets. The projection on the global economy for the medium term is provided in Table 2.

Table 2 : Summary of Key Indicators of World Economy

Indicator	Unit	2014	Projection		
			2015	2016	2020
GDP Growth	%				
Advanced Economies		1.8	2.0	2.2	1.9
Emerging Market and Developing Economies		4.6	4.0	4.5	5.3
Inflation	%				
Advanced Economies		1.4	0.3	1.2	2.1
Emerging Market and Developing Economies		5.1	5.6	5.1	4.5
Fiscal Deficit	% of GDP				
Advanced Economies		-3.4	-3.1	-2.6	-2.0
Emerging Market and Middle Income Economies		-2.5	-4.1	-3.9	-2.7

Sources: “World Economic Outlook”, IMF, October 2015; “Fiscal Monitor”, IMF, October 2015

1.3 Reform Initiatives

In order to achieve the medium term fiscal strategy targets, a series of focused legislative, administrative, institutional, social development and capacity improvement measures are being initiated by government in a challenging economic and volatile financial situation. These initiatives covered reforms in the areas of taxation, expenditure management, public enterprises, procurement, social capacity development and legal regulatory and policy improvements.

Tax Reforms

Several tax measures have been taken to address the issues in tax system in 2015. On the income taxes, tax free allowance for Pay-As-You-Earn (PAYE) has been increased from Rs. 600,000 to Rs. 750,000 to relief tax payers. On the indirect taxes, the retail and wholesale trade has brought into the VAT net and the supply of financial services has made liable for NBT. VAT rate reduced to 11 percent from 12 percent; VAT registration threshold increased to Rs. 15 million from Rs. 12 million per annum; VAT and several other taxes applicable on the importation of motor vehicles have been abolished as a

measure of consolidation of tax structure since October 2014. Furthermore, effective audit, tax consultation and better taxpayer services with taxpayer-friendly environment based on mutual respect and trust have been further strengthened.

Several key measures have been continued in international trade-related taxes as well. The maintenance of four band tariff system (0, 7.5, 15 and 25), placement of intermediate goods which are necessary for the local value-added

industries, at a low tax regime, and also rate revisions of Cess and Special Commodity Levy (SCL) to support the domestic value addition while safeguarding the consumers have been conducted. Meanwhile, the discouragement of the consumption of liquor and cigarettes with stringent measures to prevent illicit liquor, drugs and narcotics with periodic revisions made to relevant excise duty rates will continue to be the policy direction on such items in future as well.

Box 1 : Income Tax Regime (as at end October 2015)

Description	Tax Rate (%)
Individuals	
Tax free allowance for residents/ non- resident citizens of Sri Lanka	Rs. 500,000
Tax on Taxable Income	
First Rs.500,000	4.0
Next Rs.500,000	8.0
Next Rs.500,000	12.0
Next Rs.500,000	16.0
Next Rs. 1,000,000	20.0
Balance	24.0
Pay-As-You-Earn (PAYE) tax is not applicable on employment income upto Rs.750,000	
Tax on Taxable Income	
First Rs.500,000	4.0
Next Rs.500,000	8.0
Next Rs.500,000	12.0
Balance	16.0
Tax rates for professionals (providing professional services)	
Taxable income does not exceed Rs. 25 Mn.	12.0
Exceeds Rs. 25 Mn. but not exceed Rs. 35 Mn.	14.0
Exceeds Rs. 35 Mn.	16.0
For Employees who work under more than one employer	
If payment does not exceeds Rs. 25,000 per month	10.0
If payment exceeds Rs. 25,000 per month	16.0
Employees of public sector who work under more than one employer	
If payment does not exceeds Rs. 50,000 per month	10.0
If payment exceeds Rs. 50,000 per month	16.0
Terminal benefits from employment (Retiring gratuity etc.)	

Box 1 : Income Tax Regime (as at end October 2015) Continued....

Period of service or contribution is not less than 20 years- first Rs. 5 Mn.	Exempted
Period of service or contribution is less than 20 years - first Rs. 2 Mn.	Exempted
On the next Rs. 1,000,000	5.0
On the balance	10.0
Compensation under Voluntaries Retirement Scheme (VRS) uniformly applicable- up to Rs. 2 Mn.	Exempted
Compensation under Labour Commissioner approved scheme- upto Rs. 2 Mn.	Exempted
Non-uniform compensation for loss of employment-normal rates	Maximum 16%

Corporate Income Tax**Standard Rate**

All companies (other than companies taxed at special rates)

Not dealing in Liquor and Tobacco 28.0

Dealing in Liquor and Tobacco 40.0

Dividend Tax 10.0

Remittance Tax on Non-Resident Companies 10.0

Special Rates

Manufacturers and service providers with turnover less than Rs. 750 Mn. 12.0

Supply of services to exporters of goods or services to foreign principal 12.0

Listed company with not less than 20% of share issue to public (if tax rate is 28% or more) 1/2 of the tax rate

Concessionary Rate

Undertaking carried-on in Sri Lanka (Operation and maintenance of storage facilities)

Development of software

Exports with 65 percent value addition

Employees' Trust Fund and Provident or Pension Funds

Provided funds and Charities 10.0

Unit Trust or Mutual Fund and Unit Trust Management Company

Clubs and Associations

Poultry

Supply of labour

Educational services

Venture Capital Companies

Small Companies (taxable income not exceeding Rs. 5 Mn.) 12.0

Agriculture

Manufacturing animal feed

Box 1 : Income Tax Regime (as at end October 2015) Continued....

Promotion of tourism

Construction works

Healthcare services

Qualified Export Profits

Non-citizen entertainer or artist

Livestock

Profits and income from petroleum exploration of any person or partner of a partnership

Exports and deemed exports

Other

Partnerships tax on divisible profits

8.0

Co-operative societies

Exempted

Non-Governmental Organizations (3% of the fund received is deemed to be profit)

28.0

*Compiled by the Department of Fiscal Policy***Reform in Tax Administration**

Government has clearly identified the necessity of improving tax administration to realize the envisaged outcome from tax policy reforms. In line with this, tax policy reforms are being complemented by the introduction of measures to improve tax administration.

Emphasis has been given to improve tax administration in tax collection agencies, such as the IRD and the SLC. The IRD is in the process of finalizing RAMIS whereas the SLC is in the process of introducing "Single Window" (SW) system as a one-stop gateway of handling all documents at one place enabling users to submit their export and import documents through a single electronic gateway. Meanwhile, ITMIS will cater to the requirements of the General Treasury by automation of revenue and expenditure management. Conversely, the Fiscal Management Efficiency Project

(FMEP) will improve skills and knowledge of the public sector managers.

Public Expenditure Management

Encouraging appropriate prioritization to enable the government's financial resources to manage prudently while improving fiscal discipline is expected to continue. The recent reduction in unemployment, poverty and inflation with continued improvement in livelihood opportunities will help target the welfare expenditure. Rigorous monitoring of expenditure on defence, interest payments, salaries and wages and other goods and services will also help maintain the recurrent expenditure at a desired level. In addition, the estimation and budget making process is being improved with the wider participation of the stakeholder and the general public. Through this process, it is expected to inculcate the culture of working within the available resource envelope of government. Furthermore, financial

regulations are being revisited to introduce necessary revisions to make them suitable for financial management with good governance initiatives.

The need for a new system to improve expenditure management has been recognized and also cadre management continued with a renewed effort. The ITMIS is to implement introduction of new technology for the improvement of the fiscal management process. Efforts are being made to keep the operational expenditure on check while prioritizing much needed public investment to support the growth momentum of the economy. The curtailment of unproductive expenditure is also given priority. A number of measures are being taken to improve accountability in public sector, particularly in public procurement. The commitment to ensure the social protection of the most vulnerable and the needy, including the elderly population and differently-abled people with targeting related expenditure, is an important element of the MTMFF.

State Owned Business Enterprises

The underperformance of the State Owned Business Enterprises (SOBEs) has severely affected the growth prospects in the economy. Hence, emphasis has also been given to the requirements of market based structural reforms and commitment to reinvigorate key initiatives taken by government. The current fiscal strategy places strong emphasis on improving the performance and efficiency of SOBEs to adopt innovative management reforms to become commercially viable entities. A State Holding Corporation Limited (SHCL) will be established to manage SOBEs in line with “Temasek model” in

Singapore enabling to take bold decision based on financial guidelines and market economies as in the private sector. Putting SOBEs on such a commercial footing, the cost-reflective price adjustments are introduced.

In the long-run, social protection objectives can be entertained by targeted income transfers rather than allocating unbearable amount of subsidies to the SOBEs. In addition, reforms in areas, such as financial and business management, systems and procedures, internal controls and productive use of employees and capital assets etc. are given priority.

Investment

Government put in place a public investment programme on infrastructure development while encouraging private sector participation for employment generation activities. Also, local and foreign investors will be connected to engage in businesses. Enhanced resources are being channeled to maintaining government support to rural economy, agriculture, Small and Medium Enterprises (SMEs), education, health and protection of the vulnerable segments of the society. The public investment is expected to maintain to around 5-6 percent of GDP in the medium term basis. Meanwhile, 2,500 State Rural Development Centres (SRDC) will be established under one development umbrella to strengthen and build infrastructural facilities, such as roads and markets at village level.

Debt Management

The main objective of the government’s debt management strategy is to reduce government debt to GDP ratio to a risk

free level. By 2017, the debt to GDP ratio is targeted to reduce below 69 percent with the expected lower fiscal deficit and anticipated higher economic growth of over 7-8 percent. The debt management policy is to focus on making borrowings at the lowest possible cost.

1.4 The Global Economic Condition and its Impact on Sri Lanka

The global economic recovery remains hostile with heightened uncertainties the backdrop of increased interest rates in the United States (US) and economic slowdown in China. As such, Sri Lankan economy will have both positive and negative impacts. A significant positive impact will be the lowering of the import costs and import-fuelled inflation due to the decline in oil prices, which provides a cushion for the fiscal balance. However, subdued performance in the advanced economies, such as the US and Euro economies could curtail the demand for Sri Lankan exports. Therefore, continuation of more flexibility in the exchange rate and introduction of other structural measures are needed to stimulate exports.

1.5 Medium Term Strategic Priorities of the Fiscal Policy

- Augmenting the revenue with greater emphasis on the expansion of tax base
- Strengthening tax administration to support the enforcement through automation
- Increase the ratio of direct tax to indirect tax revenue generation to 40:60 from 20:80.

- Strengthening institutional and human resources in the revenue agencies
- Rationalizing non-interest expenditure and curtail unproductive expenditure
- Encouraging line Ministries to work on a medium term framework to effectively manage available resources and improve the quality of operational expenditure through advancement of treasury management and procurement system
- Strengthening regional/rural centric infrastructure and industrial development activities
- Completing the strategic infrastructure development projects and other national economic and social infrastructure development projects
- Consolidating public security to ensure peaceful environment in the country
- Strengthening the livelihood development activities to empower the poor while providing social protection for the vulnerable people in the society
- Improving the human capital to increase productivity of the labour force
- Maintaining public debt at prudent levels with strengthened fiscal consolidation and improved management of public debt
- Improving fiscal transparency and accountability

1.6 Key Fiscal Measures for the Improvement of Overall Fiscal Policy Implementation

- Streamlining and consolidating tax policy to broaden the tax base and simplify the tax system to augment the revenue
- Taking measures to minimize tax evasion and avoidance through strengthening legal and regulatory framework
- Integrating RAMIS and ITMIS for an effective management of revenue
- Supporting to SMEs and micro enterprises to generate employments and engage in import replacement economic activities
- Continuation of the income support programme to vulnerable and the needy people
- Improving government cash management programme
- Making SOBEs financially viable entities through market based structural reforms
- Ensuring the effective utilization of foreign resources while ensuring a proper mix of domestic and foreign debt in the government borrowing

Part II

Budget, Economic and Fiscal Position Report - 2016

Issued by the Hon. Minister of Finance

**Under Sections 7, 8 and 9 of the Fiscal Management
(Responsibility) Act, No. 3 of 2003**

This Report is issued under Sections 7, 8 and 9 of the Fiscal Management (Responsibility) Act, No. 3 of 2003, which requires the provision of a basis for the evaluation of government's fiscal performance as against its fiscal strategy statement and to be placed before Parliament on the day of the second reading of the Appropriation Bill. It includes estimates relating to gross domestic product, consumer prices, balance of payments, and assumptions based for estimating revenue and expenditure.

Accordingly, this Report contains provisional figures of government revenue, expenditure and borrowing in the first nine months of 2015. This Report also provides key macroeconomic developments during this period to facilitate the understanding of the overall economic situation within which fiscal operations have been conducted. This Report also refers to the basis of information on economic and other assumptions used in preparation of estimates for 2016 and downside risks associated with these assumptions and other information that may have a material effect on the fiscal performance of the government.

1. FISCAL DEVELOPMENTS

1.1 Overview

Fiscal reforms introduced in the first nine months of 2015 further strengthened Sri Lanka's fiscal consolidation process, in comparison to the same period of 2014 with increased tax revenue and improved management of public expenditure.

The domestic consumption-based taxes increased by 19 percent to Rs. 250 billion in the first nine months of 2015, in comparison to Rs. 210 billion during the corresponding period of 2014. The revenue from VAT on domestic activities declined by 5.4 percent to Rs. 97 billion, reflecting the decrease of VAT rate to 11 percent from 12 percent in January 2015 and increase of VAT registration threshold to Rs. 15 million per annum from Rs. 12 million per annum along with the policy measures taken to abolish VAT applicable for the manufacturing of liquor, tobacco and cigarettes as a measure of consolidation of tax structure since October 2014. The Nation Building Tax (NBT) on domestic activities marginally decreased by 1.2 percent to Rs. 19 billion during the first nine months of 2015. This was mainly due to increased NBT registration threshold to Rs. 15 million per annum coupled with the policy measures taken to abolish NBT applicable for the manufacturing of liquor, tobacco and cigarettes. However, growth in wholesale and retail sector, manufacturing products, sale of food items and banking and financial services contributed positively to the revenue. Meanwhile, total revenue from excise duty on liquor and cigarettes recorded a growth of 53.1 percent and 50.4 percent, respectively in the reference period

reflecting the increase of excise duty rates coupled with the enhanced production of liquor and cigarettes.

The import based-taxes also increased by 27 percent due to the rise of imports of consumption goods, including motor vehicles. The revenue from excise tax, primarily imposed on motor vehicles, significantly increased by 143.9 percent to Rs. 171 billion in the reference period, in comparison to Rs. 70 billion recorded in same period of 2014 benefiting from increased imports of motor vehicles by 55 percent mainly due to the reduction of taxes on 1000 cc motor cars and the imposition of excise duty on motor vehicles as a composite tax in place of other taxes. Meanwhile, the VAT revenue from imports declined by 33.3 percent and NBT revenue from imports marginally declined by 3.0 percent mainly due to the consolidation of tax structure. The revenue from import duties increased by 23.5 percent to Rs. 73 billion, reflecting a moderate increase on imports, more specially consumer goods and investment goods in the review period. Special Commodity Levy (SCL) collected at the point of imports reflected a marginal increase of 2.2 percent during this period mainly due to the increase in number of products coming under the SCL and upward revisions of applicable rates to encourage domestic agricultural production. The revenue from Ports and Airports Development Levy (PAL) decreased by 17.3 percent to Rs. 39 billion due to the abolishment of PAL on importation of motor vehicles.

In the context of direct taxes, the revenue from Pay-As-You-Earn (PAYE) tax increased by 16.3 percent to Rs. 19 billion from Rs. 17 billion due to a higher wage income and enhanced employment in high earning categories in sectors, such as banks, professional services, export trade coupled with improvement in tax compliance. However, tax on interest income declined by 22.9 percent to Rs. 48 billion during the first nine months of 2015 reflecting the reduction of issuance of the Treasury bonds and bills during the period concerned. Hence, the total revenue collected from income tax marginally fell by 1.0 percent to Rs. 154 billion in the first nine months of 2015, in

comparison to Rs. 156 billion recorded during the corresponding period of 2014. The revenue from corporate and non-corporate tax increased by 14.2 percent to Rs. 82 billion during the period due to increased domestic economic activities. In contrast, the Economic Service Charge (ESC) declined by 1.0 percent to Rs. 4 billion in the reference period.

Meanwhile, the non-tax revenue decreased by 7.1 percent to Rs. 71 billion during this period. The profits and dividends from State Owned Business Enterprises (SOBEs) and state banks, fees and charges and social security contributions recorded a moderate growth while the interest and rent income declined.

Table 3 : Summary of the Budget

(Rs. Million)

Item	Jan. - Sep.	
	2014	2015 (a)
Revenue and Grants	836,903	959,553
Revenue	828,191	958,892
Tax	752,180	888,241
Non Tax	76,011	70,651
Grants	8,712	661
Expenditure	1,326,694	1,532,544
Recurrent	962,076	1,213,087
Salaries	305,594	414,764
Interest Payments	363,489	426,550
Other	292,993	371,773
Public Investments	375,872	311,442
Other	-11,254	8,015
Revenue Deficit (-)/Surplus (+)	-133,885	-254,195
Overall Budget Deficit (-)/Surplus (+)	-489,791	-572,991
Financing	489,791	572,991
Foreign Financing (Net)	244,581	21,144
Domestic Financing (Net)	245,210	551,847

Source: Department of Fiscal Policy
(a) Provisional

The government expenditure during the first nine months of 2015 was Rs. 1,532.5 billion in comparison to Rs. 1,326.7 billion recorded during the corresponding period of 2014. The total expenditure included recurrent expenditure of Rs. 1,213.1 billion and capital expenditure of Rs. 319 billion. The recurrent expenditure increased by 26.1 percent whereas capital expenditure declined by 12.4 percent in the review period.

The public investment during the period under consideration mainly focused on expediting economic infrastructure development activities in the areas of roads and bridges, power generation, irrigation and water supply. In addition, priority was given for social infrastructure development activities, such as education, health and social welfare development programme. The expenditure on public investment during the first nine months of 2015 accounted to Rs. 311.4 billion, a 17.1 percent decline over the same period of 2014.

Reflecting these developments, the revenue deficit during the first nine

months of 2015 was Rs. 254.2 billion, compared to Rs. 133.9 billion in the corresponding period of 2014. The overall budget deficit was Rs. 573.0 billion during the first nine months of 2015, in comparison to Rs 489.8 billion in the corresponding period of 2014. The public expenditure is being monitored closely in order to ensure that it operates within the overall budgetary ceiling. The budget deficit is estimated at 5.6 percent of GDP in 2015.

Several initiatives have been taken during first nine months of 2015 to strengthen the tax administration while streamlining the tax system. Revenue Administration Management Information System (RAMIS) of the Inland Revenue Department (IRD) is expected to operationalize by end 2015. In addition, the Sri Lanka Customs (SLC) has introduced a “Single Window” (SW) facility to increase efficiency of its administration, procedures and logistics associated with trade while the General Treasury is in the process of finalizing the Integrated Treasury Management Information System (ITMIS) to ensure efficient management of government resources.

Box 2: Major Fiscal Measures; January - October 2015¹

Effective Date	Measures
	Excise (Special Provisions)
30.01.2015	Excise (Special Provisions) duty rates on motor vehicles with engine capacity less than 1,000 cc and also electric cars were reduced by 15 percent. Duty rates on hybrid motor vehicles with less than 3000cc and above were increased by 30 percent and 60 percent, respectively.
27.02.2015	Excise (Special Provisions) duty on buses was imposed.
	Excise Ordinance
01.01.2015	Annual liquor license fees on wholesale and retail outlets, hotels, hotel bars, rest houses etc. were revised upwards.

¹This comprises of major fiscal policy measures implemented in January – October 2015.

03.10.2015	Excise duties on hard liquor, beer and cigarettes were increased.
	Betting and Gaming Levy
01.01.2015	Betting and Gaming Levy applicable for gross collection was increased to 10 percent from 5 percent. An entry fee of US\$ 100 was introduced on every person who enters casino entertainment activity.
	VAT/NBT/PAYE
01.01.2015	The rate of VAT was reduced to 11 percent from 12 percent. The importation of machinery, equipment and spare parts by Sri Lanka Ports Authority (SLPA) to be used exclusively within specified ports was exempted from the VAT and the NBT. The limit of the sample value for the exemption from the VAT and NBT of Rs. 25,000 was increased to Rs. 50,000. The turnover applicable for the imposition of VAT on wholesale or retail trade was reduced to Rs. 100 Mn. from Rs 250 Mn. for a consecutive period of 3 months of any calendar year. The VAT registration threshold was increased to Rs. 15 Mn. per annum from Rs. 12 Mn. per annum. The NBT threshold was increased to Rs. 3.75 Mn. per quarter from Rs. 3 Mn. per quarter. The threshold for the Pay-as-You-Earned (PAYE) tax was increased to Rs. 750,000 from Rs. 600,000 and maximum rate of the PAYE tax was reduced to 16 percent from 24 percent. Concessionary rate of 12 percent applicable for agricultural sector was extended to the local sugar industry.
	Customs Duty
30.01.2015	Customs duty on wheat grain of Rs. 10 per kg was removed. Importation of cement and semi-finished products of iron or non-alloy steel was exempted from custom duty.
06.05.2015	Custom duty on rice was re-introduced by Rs. 35 per kg.
	Special Commodity Levy
01.01.2015	SCL on B' onion was reduced to Rs.10 per kg from Rs. 50 per kg for a period of four months.
22.01.2015	SCL on rice was increased to Rs. 20 per kg from Rs. 1 per kg for a period of four months.
30.01.2015	SCL rates on following food items were reduced under the 100 Day Programme: <ul style="list-style-type: none"> - Maldives fish by Rs. 200 per kg to Rs. 102 per kg - Sprats by Rs.15 per kg to Rs. 11 per kg - Green gram by Rs. 30 per kg to Rs. 10 per kg - Black grams by Rs. 50 per kg to Rs. 60 per kg - Black grams flour by Rs. 100 per kg to Rs. 200 per kg - Chilies (crushed or ground) by Rs. 25 per kg to Rs. 125 per kg - Sugar by Rs. 10 per kg to Rs. 18 per kg - Coriander(seeds) by Rs. 20 per kg to Rs. 26 per kg - Coriander(crushed or ground) by Rs. 150 per kg to Rs. 52 per kg - Turmeric by Rs. 100 per kg to Rs. 102 per kg

	<ul style="list-style-type: none"> - Turmeric (crushed or ground) by Rs. 150 per kg to Rs. 360 per kg - Canned Fish by Rs. 52 per kg to Rs. 50 per kg
15.02.2015	SCL on potatoes was increased by Rs. 30 per kg to Rs. 40 per kg and SCL on mackerel fish was extended for another four months.
25.02.2015	The validity period of SCL on peas, chickpeas, cowpea, lentils, kurakkan and margarine was extended for a period of six months.
18.03.2015	SCL on mackerel fish was reduced by Rs. 4 per kg to Rs. 6 per kg for a period of six months.
26.03.2015	SCL on rice was increased by Rs. 20 per kg to Rs. 40 per kg for a period of four months.
02.04.2015	The validity period of SCL on another 17 items including fish, dried fish, garlic, red onion, grapes, apple, orange, vegetable oil etc. was extended.
24.04.2015	SCL on following food items was increased for a period of four months: <ul style="list-style-type: none"> - Potatoes from Rs. 40 per kg to Rs. 55 per kg - B'onion from Rs.10 per kg to Rs. 30 per kg
06.05.2015	SCL on rice was removed.
06.06.2015	SCL on following food items was reduced for a period of three months: <ul style="list-style-type: none"> - Potatoes from Rs. 55 per kg to Rs. 30 per kg - B' Onion from Rs. 30 per kg to Rs. 10 per kg
17.06.2015	SCL on following food items was revised; <ul style="list-style-type: none"> - Spilt lentils from Rs. 5 per kg to Rs. 0.25 per kg - Palm oil from Rs. 90 per kg to Rs. 105 per kg
29.06.2015	SCL on maize was introduced at the rate of 10 percent for a period of four months.
21.07.2015	SCL on vegetable oil was reduced by Rs. 15 per kg to Rs. 90 per kg and the validity period for ten commodity items including Maldives fish, sprats, green gram, black gram, chilies, coriander, turmeric etc. was extended for a period of six months.
08.09.2015	SCL on the following food items was increased: <ul style="list-style-type: none"> - Potatoes from Rs. 30 per kg to Rs. 40 per kg - Sugar from Rs. 18 per kg to Rs. 30 per kg The validity period on B'onions, peas, chick peas, cowpeas, lentils, kurakkan and margarine was extended for a period of six months.
17.09.2015	The validity period of SCL on mackerel fish was extended for a period of six months.
22.09.2015	Surcharge of Rs. 20 per kg for B'onion was introduced for a period of sixteen days.
23.09.2015	SCL on the following food items was increased: <ul style="list-style-type: none"> - Crude palm oil from Rs. 90 per kg to Rs. 110 per kg - Refine oil from Rs. 110 per kg to Rs. 130 per kg
02.10.2015	The validity period of SCL on 16 items including fish, dried fish, red onion, garlic, apple, orange, grapes, etc. was extended for a period of six months.
Administrative Changes	
22.01.2015	The retail prices of major petroleum products were reduced: <ul style="list-style-type: none"> - Petrol (92 Octane) by Rs. 33 to Rs. 117 per litre

	<ul style="list-style-type: none"> - Petrol (95 Octane) by Rs. 30 to Rs. 128 per litre - Auto Diesel by Rs. 16 to Rs. 95 per litre - Super Diesel by Rs. 23 to Rs. 110 per litre - Kerosene by Rs. 16 to Rs. 65 per litre
30.01.2015	The retail price of Kerosene was reduced by Rs. 6 to Rs. 59 per litre. Maximum retail price of 400 gram of full cream milk powder was reduced by Rs. 61 to Rs. 325 and price of the one kg pack was reduced to Rs. 810. Domestic gas prices were reduced by Rs. 300 to Rs. 1,596 for a 12.5 kg cylinder.
30.01.2015	Method of Customs valuation of motor vehicles was revised (Gazette No . 1899/35)
10.02.2015	Method of Customs valuation of motor vehicles was further revised (Gazette No . 1901/3)
15.07.2015	Domestic gas prices were further reduced by Rs. 100 to Rs. 1,496 for a 12.5 kg cylinder.
22.09.2015	Method of Customs valuation of motor vehicles was further revised (Gazette No . 1933/16)
Taxes introduced under the Finance Act	
	-Bars and Taverns Levy (BTL) was imposed as a one-off tax of Rs. 250,000 on holders of a license issued under Excise Ordinance.
	-Supper Gain Tax (SGT) was imposed on individuals or companies whose profit before tax for the year of assessment exceeds Rs. 2,000 Mn. commencing on 01.04.2013. Tax is charged at the rate of 25 percent of the taxable income.
	-Mobile Telephone Operator Levy (MTOL) was imposed on licensed mobile telephone operators as one-off tax of Rs. 250 Mn.
	-Satellite Location Levy (SLL) on persons who own satellite locations was imposed as one-off tax of Rs. 1,000 Mn.
	-Dedicated Sports Channel Levy (DSCL) on sports channels operated under the Rupavahini Corporation Act, No. 6 of 1982 was imposed as one-off tax of Rs. 1,000 Mn.
	-Mansion Tax (MT) on owners of mansions within the meaning of Finance Act, was imposed amounting Rs. 1 Mn. per annum.
	-Migration Tax on Sri Lankan citizens migrating permanently was imposed at a rate of 20 percent on foreign exchange brought out of the country.
	-Casino Industry Levy on persons who are engaged in casino business was imposed as one-off tax of Rs. 1,000 Mn.

The current fiscal strategy places strong emphasis on improving the performance and efficiency of the key State Owned Business Enterprises (SOBEs). Two such key enterprises in the energy sector, i.e. the Ceylon Petroleum Corporation (CPC) and the Ceylon Electricity Board (CEB) are in the process of addressing their financial imbalances. The CPC recorded a loss of Rs. 4.9 billion at the end of August

2015. In order to strengthen the financial position of the CPC, the General Treasury has proposed to issue Treasury bonds totaling Rs. 100 billion in 2015. The CEB recorded a profit of Rs. 14.6 billion during first eight months of 2015 benefiting from increased hydropower generation due to the favorable weather conditions prevailed and effective functioning of coal power plants. As a result, the electricity

generation cost per unit has declined by 31.4 percent to Rs. 13.82 kWh in the first eight months in 2015, compared to Rs. 20.15 kWh in 2014.

Meanwhile, Sri Lankan economy grew by 5.6 percent during the first half of 2015, compared to 1.3 percent recorded in the same period of 2014. The higher economic growth was supported by domestic demand benefiting from the favorable macroeconomic environment and peaceful situation of the country with good governance initiatives. This buoyant growth was primarily driven by the Services sector which expanded by 7.1 percent supported by the Agriculture sector which grew by 3.3 percent and the Industry sector which grew by 1.3 percent.

The headline inflation, on a year-on-year basis, as measured by the Colombo Consumer Price Index (CCPI - 2006/07 base year) was a deflation of -0.3 percent for the third consecutive month in

September 2015. In contrast, the headline inflation, on year-on-year basis, increased to 1.7 percent in October 2015. The headline inflation, on an annual average basis, was 0.7 percent in October 2015, compared to 3.8 percent by end October 2014. The headline inflation is expected to remain within 2.0 to 3.0 per cent by end 2015 with improved domestic supply conditions and subdued global commodity prices.

The overall performance of the external sector showed a mixed performance with a widened trade deficit and enhanced inflows from workers' remittances and earnings from tourism. The trade deficit increased by 5.0 percent to US\$ 5,412 million during the first eight months of 2015 from US\$ 5,156 million in the same period of 2014 as a result of increased expenditure on imports by US\$ 3.0 million to US\$ 12,558 million and marginal declined export earnings by 3.4 percent to US\$ 7,146 million during this period.

Table 4 : Estimated and Actual Revenue and Expenditure : 2015

(Rs. Billion)

Item	Jan. - Sep.		Deviation
	Estimated	Actual (a)	
Total Revenue	1,005	959	-46.4
Tax Revenue	924	888	-36.3
Inland Revenue Department			
Tax on Income and Profit	186	154	-31.3
VAT - Domestic (Net)	109	97	-12.6
Nation Building Tax (Domestic)	23	19	-3.4
Other	5	3	-1.5
Sub Total	322	274	-48.8
Customs Department			
Import Duty	68	74	5.9
VAT - Imports (Net)	99	65	-33.2
Nation Building Tax (Import)	13	11	-1.6
Ports & Airports Development Levy (PAL)	56	39	-17.0
Cess Levy	34	32	-2.3
Special Commodity Levy & Other	44	38	-6.1
Excise (Special Provisions)	186	255	69.2
Cigarettes	53	60	7.1
Petroleum	38	22	-15.5
Motor Vehicles & Other	96	173	77.5
Sub Total	499	514	14.6
Excise Department			
Liquor/Tobacco	73	74	1.6
Sub Total	73	74	1.6
Other			
Telecommunication Levy	29	24	-5.0
License Fees& Other	2	3	1.3
Sub Total	31	27	-3.6
Non Tax Revenue	81	71	-10.1
Total Expenditure	1,522	1,532	10.1
Recurrent Expenditure	1,172	1,213	40.7
Salaries and Wages	425	415	-10.2
Interest Payments	360	427	66.6
Pension Payments	130	115	-15.1
Transfers to Public Corporations & Institutions	42	44	2.4
Other	215	212	-3.0
Capital Expenditure and Net Lending	350	319	-30.6

Sources: Department of Treasury Operations and Department of Fiscal Policy

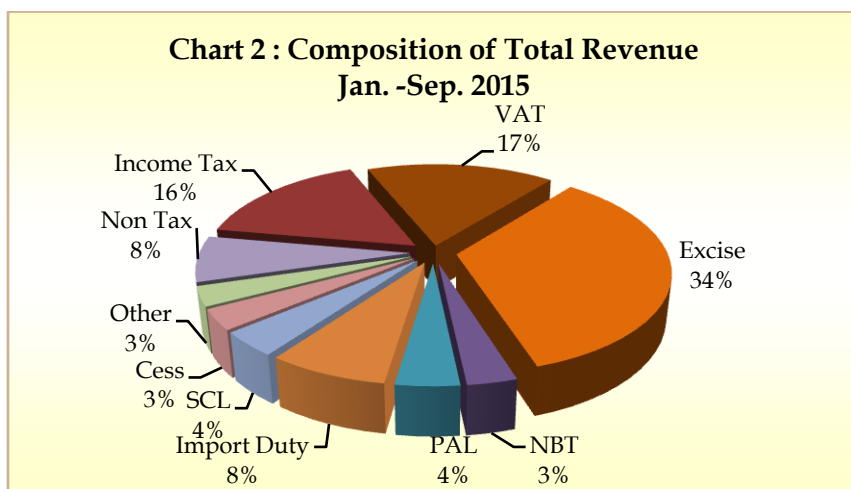
(a) Provisional

The overall Balance of Payments (BOP) recorded a deficit of US\$ 1,795 million during the first eight months of 2015, in comparison to a surplus of US\$ 2,150 million recorded during the corresponding period of 2014. However, the workers' remittances increased by 1.8 percent to US\$ 4,598 million while earnings from tourism also increased by 17.1 percent to US\$ 1,867 million during the first eight months of 2015. These developments coupled with the adoption of greater flexibility in the exchange rate, are expected to reduce the trade deficit further while improving the country's

gross official reserves, thereby strengthening the external stability of the Sri Lankan economy.

1.2 Government Revenue

Total government revenue comprising of tax and non-tax revenue increased by 15.8 percent to Rs. 959 billion during the first nine months of 2015, compared to the same period of 2014. Tax revenue increased by 18.1 percent to Rs. 888 billion in the first nine months of 2015 whereas non-tax revenue decreased by 7.1 percent to Rs. 71 billion in the reference period.



The revenue from VAT and NBT decreased by 19.1 percent and 1.8 percent, respectively during the first nine months of 2015, compared to the same period of 2014 due to the introduction of composite taxes in place of VAT, NBT and several other taxes. Reflecting this impact, VAT revenue on domestic economic activities decreased by 5.4 percent to Rs. 97 billion while the revenue from import VAT decreased by 33.3 percent to Rs. 65 billion. As a result, excise tax revenue increased by 99.6 percent to Rs. 329 billion in the reference period, compared to same

period of 2014 stemming from increased excise tax revenue from the import of motor vehicles by 143.9 percent to Rs. 171 billion in the review period.

The increase in the import of consumer goods by 37.3 percent impacted positively on the import based taxes, such as import duties, Special Commodity Levy (SCL) and Cess. The revenue from import duties, Cess and SCL increased by 23.5 percent, 15.4 percent and 2.2 percent, respectively during the first nine months of 2015.

Table 5 : Summary of Performance of Government Revenue

(Rs. Million)

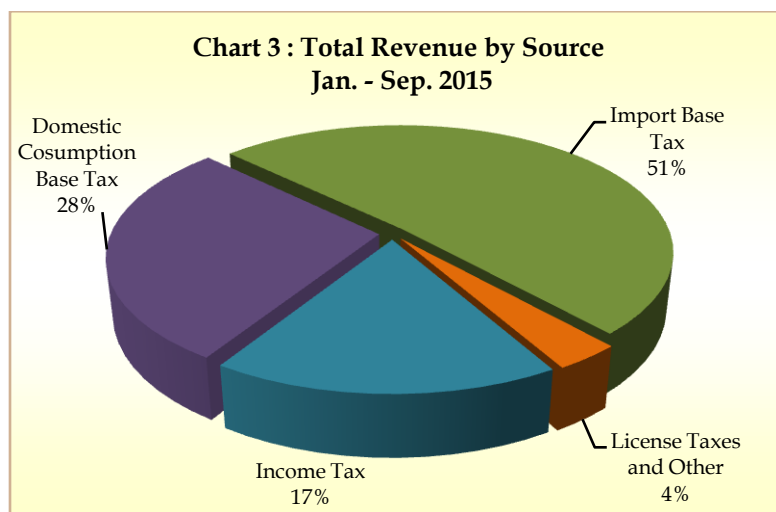
Item	Jan. -Sep.		Change (%)
	2014	2015 (a)	
Tax Revenue	752,181	888,242	18.1
Income Tax	155,841	154,315	-1.0
Domestic Consumption Based Tax	209,931	249,835	19.0
VAT	102,366	96,792	-5.4
Excise Tax	88,085	133,793	51.9
Nation Building Tax (NBT)	19,480	19,250	-1.2
Import Based Tax	357,484	453,948	27.0
Custom Duty	59,497	73,501	23.5
VAT	98,010	65,382	-33.3
Nation Building Tax (NBT)	11,675	11,329	-3.0
Ports & Airports Development Levy (PAL)	47,124	38,959	-17.3
Special Commodity Levy (SCL)	36,862	37,661	2.2
Excise Tax	76,831	195,407	154.3
Cess	27,485	31,709	15.4
License Fees and Other	28,925	30,144	4.2
Non Tax Revenue	76,011	70,651	-7.1
Total Revenue	828,191	958,892	15.8

Sources: Department of Treasury Operations and Department of Fiscal Policy

(a) Provisional

Revenue from corporate and non-corporate income tax and Pay-As-You-Earn (PAYE) tax increased by 14.2 percent and 16.3 percent, respectively during the first nine months of 2015 whereas the tax revenue from Withholding Tax (WHT) on

interest income and Economic Service Charge (ESC) declined by 22.9 percent and 0.9 percent, respectively. Limited issuance of Treasury Bills and Bonds was mainly attributed to the drop in revenue from WHT.



Income Tax

The tax revenue from income tax, consisting of corporate and non-corporate tax, Pay-As-You-Earn (PAYE), tax on interest and Economic Service Charge (ESC), fell by 1.0 percent to Rs. 154.3 billion during the first nine months of 2015, compared to Rs. 155.8 billion in the same period of 2014. Except the tax on interest and ESC, all the other taxes positively contributed to generate income tax revenue.

During the first nine months of 2015, the corporate and non-corporate tax revenue increased by 14.2 percent to Rs. 82.1 billion, compared to the same period of 2014. Communication, electricity, food, wearing apparel, garments tailoring and related services and investment companies mainly contributed to the growth in corporate tax revenue,

reflecting enhancement of the respective economic activities.

The revenue of Rs. 19.4 billion from PAYE tax was collected during the first nine months of 2015 and it was an increase of 16.3 percent, compared to Rs. 16.7 billion during the same period of 2014 due to the higher salaries and wages and increased employment in sectors, such as transport, banking, port services and agriculture.

However, the revenue from tax on interest income declined by 22.9 percent to Rs. 48.3 billion mainly due to the relatively lower issuance of domestic debt securities in the first nine months of 2015. The tax on ESC declined by 0.9 percent to Rs. 4.5 billion during the first nine months of 2015, reflecting the reduction of claims by companies which made losses or claimed exemptions as the ESC.

Table 6 : Performance of Income Tax

Tax Base	Jan. - Sep.		(Rs. Million)
	2014	2015 (a)	Growth (%)
Corporate and Non Corporate	71,895	82,073	14.2
PAYE	16,717	19,439	16.3
Tax on Interest Income	62,724	48,337	-22.9
Economic Service Charge	4,506	4,465	-0.9
Total	155,841	154,314	-1.0

Source: Department of Fiscal Policy

(a) Provisional

Value Added Tax (VAT)

The revenue from VAT, on a gross basis, decreased by 19.0 percent to Rs. 163 billion during the first nine months of 2015, compared to the same period of 2014. The revenue from VAT on domestic activities as well as imports declined. This

was due to the reduction of VAT rate from 12 percent to 11 percent with effect from January 2015, following the policy decision to simplify the tax system by consolidating VAT and NBT with excise duty and the increase VAT registration thresholds from Rs. 12 million per annum

to Rs. 15 million per annum. VAT revenue on domestic activities dropped by 5.5 percent to Rs. 97 billion in the reference period due to the contraction of VAT revenue from sectors, such as fishing and aquarium, mining and quarrying, coconut industry, paddy and other cereals.

VAT revenue on imports also decreased by 33.2 percent to Rs. 66 billion during the first nine months of 2015, in comparison to the corresponding period of 2014. This reflects the consolidation of VAT and several other taxes with excise duty amidst the increase in import VAT revenue from consumer and investment goods imports.

Table 7 : Performance of VAT

(Rs. Million)

Tax Base	Jan. - Sep.		Growth (%)
	2014	2015 (a)	
Domestic	102,506	96,916	-5.5
Imports	98,568	65,875	-33.2
Gross Revenue	201,074	162,791	-19.0
Refunds	698	617	-11.6
Net Revenue	200,376	162,175	-19.1
Refunds as % of Gross Revenue	0.35	0.38	

Source : Department of Fiscal Policy

(a) Provisional

Excise Taxes

Total excise tax revenue generated from excise duty on liquor, cigarettes and tobacco, petroleum, motor vehicles and other items significantly increased by 100 percent to Rs. 329 billion in the reference period, compared to Rs. 165 billion in the

same period of 2014. All excisable items including motor vehicles positively contributed to this growth mainly due to the imposition of excise duty on motor vehicles and other excisable articles in place of several other taxes such as VAT, NBT and import duty since October 2014.

Table 8 : Performance of Excise Duty

(Rs. Million)

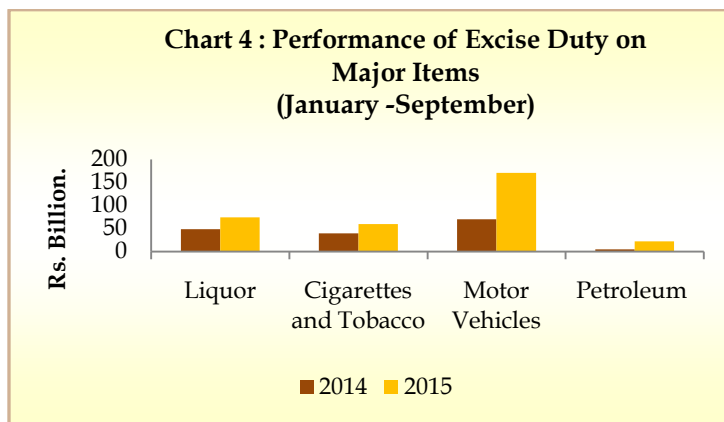
Tax Base	Jan. - Sep.		Growth (%)
	2014	2015 (a)	
Liquor	48,411	74,130	53.1
Cigarettes and Tobacco	39,674	59,663	50.4
Motor Vehicles	69,956	170,630	143.9
Petroleum	4,675	22,049	371.6
Other	2,201	2,728	23.9
Total	164,917	329,199	99.6

Source : Department of Fiscal Policy

(a) Provisional

The revenue from hard liquor increased significantly by 54 percent in the review period, with the increase of production of hard liquor by 15.3 percent coupled with increased excise duty on coconut and processed arrack and country made

foreign spirit. The revenue from malt liquor also increased by 55.5 percent benefiting from the rise of production of malt liquor by 9.4 percent and the increase of duty rates of malt liquor in the reference period.



Meanwhile, the revenue generated from cigarettes and tobacco significantly increased by 50 percent to Rs. 59.7 billion during January to September 2015 due to

the upward revision of excise duty on cigarettes and increased production of tobacco by 17 percent in the review period.

Table 9: Excise Duty Rate Revisions on Cigarettes (Rs. per 1,000 Sticks)

Category	2010	2010	2011	2011	2012	2012	2013	2014	2015
	Oct	Nov	Jan	Oct	Mar	Oct	July	Oct	Oct
Cigarettes each not exceeding 60mm in length (eg. CAPSTAN, THREE ROSES)	3,425	3,440	3,465	3,465	4,037	4,612	5,722	6,975	6,975
Cigarettes each exceeding 60mm but not exceeding 67mm in length (eg. FOUR ACES)	6,893	6,922	6,973	7,540	8,112	9,258	10,355	12,675	12,675
Cigarettes each exceeding 67mm but not exceeding 72mm in length (eg. PALL MALL)	9,720	9,751	9,811	10,381	10,953	12,100	12,100	14,660	14,660
Cigarettes each exceeding 72mm but not exceeding 84mm in length (eg. GOLD LEAF)	11,988	12,030	12,108	13,243	13,815	14,963	16,610	21,610	23,750
Cigarettes each exceeding 84mm in length	14,360	14,400	15,000	16,400	17,100	18,500	20,000	25,100	27,240

Source : Department of Fiscal Policy

The revenue collected from excise duty on motor vehicles recorded a sharp increase of 143.9 percent to Rs. 171 billion in the first nine months of 2015, compared to Rs. 70 billion recorded in the same period of 2014 benefiting from consolidation of other taxes on motor vehicles with excise (Special Provisions) duty and increased motor vehicles imports. The number of motor vehicles imported in January to

September 2015 increased by 55 percent, compared to same period of 2014 emanating from the increase imports of motor bicycles and motor cars less than 1000cc. Also, the revenue from petroleum products increased by 372 percent to Rs. 22 billion in first nine months of 2015, compared to Rs. 4.7 billion in the review period of 2014.

Table 10 : Motor Vehicle Imports and New Registration of Vehicles

(Unit: Number)

Item	Imports				New Registrations			
	Jan. - Sep.				Jan. - Sep.			
	2014	2015	Change	%	2014	2015	Change	%
Buses	1,938	3,728	1,790	92	2,031	3,264	1,233	61
Motor Cars	24,746	83,211	58,465	236	24,982	74,966	49,984	200
Three Wheelers	60,035	100,612	40,577	68	57,202	96,987	39,785	70
Motor Cycles	208,980	259,943	50,963	24	160,890	273,691	112,801	70
Goods Transport Vehicles(a)	17,453	34,937	17,484	100	17,870	33,938	16,068	90
Land Vehicles (b)	3,219	9,167	5,948	185	5,978	7,823	1,845	31
Other	280	392	112	40	597	963	366	61
Total	316,651	491,990	175,339	55	269,550	491,632	222,082	82

Sources: Department of Customs and Department of Motor Traffic

(a) Lorries and other goods transport vehicles including dual purpose vehicles

(b) Tractors, hand tractors and other land vehicles.

Import Duty

The revenue from import duty increased by 23.5 percent to Rs. 73.5 billion during the first nine months of 2015, compared to Rs. 59.5 billion recorded in the same period of 2014. This improvement was mainly supported by the significant growth in imports of consumer and investment goods during the reference period. In particular, 117 percent increase in imports of transport equipment and 8.3 percent increase in machinery and equipment coming under investment goods category and 36.4 percent increase in non-food consumables other than vehicles, were mainly contributed to enhance the revenue in the review period.

Furthermore, the policy measures taken to impose custom duty on importation of liquor in lieu of VAT and NBT supported this performance. This performance was recorded amidst the importation of products coming under the South Asian Free Trade Agreement (SAFTA), Asian Free Trade Agreement (AFTA) and Free Trade Agreements entered into various countries, such as India and Pakistan and also the import duty exempted items under the list of exemptions and concessions of the Revenue Protection Order such as fertilizer, pharmaceutical manufacturing items and machinery and equipment used for supply and distribution of electricity and duty exempted items under investment agreements.

Table 11 : Coverage of Product and Value of Imports Under Free Trade Agreements

Free Trade Agreement	Jan. - Sep. 2015	
	No. of Products Subject to Tariff Concessions	Imports (Rs. Million)
India - Sri Lanka Free Trade Agreement (ISFTA)	4,666	27,758
Pakistan - Sri Lanka Free Trade Agreement (PSFTA)	5,501	3,336
South Asia Free Trade Agreement (SAFTA)	5,233	487
Asia - Pacific Trade Agreement (APTA)	565	1,541
Total	15,965	33,122

Sources: Department of Customs and Department of Trade and Investment Policy

Special Commodity Levy (SCL)

Special Commodity Levy (SCL), which is a single composite tax covering 36 commodities, recorded an increase of 2.2 percent to Rs. 37.7 billion for the first nine months of 2015, compared to the same period of 2014. This performance was mainly led by the periodical revisions of SCL rates, provision of necessary protection for domestic agricultural producers while reducing volatility in commodity prices in the domestic market. The reduction of applicable SCL rates in the Interim Budget on 10 essential commodities, namely sugar, green gram,

sprats, canned fish, coriander, black gram, Maldive fish, turmeric and chilies with effect from 30 January 2015 and removal of rice from SCL basket led to slow down SCL revenue in the review period. The key revenue items during the period concerned included potatoes, sugar, B'onions and canned fish. However, the revenue from sprats, sugar, dried fish, Maldive fish, butter and turmeric recorded a decline during the first nine months of 2015, in comparison to the corresponding period of 2014.

Table 12 : Special Commodity Levy Rates

(Rs. Per Kg.)

Item	End September 2014	End September 2015
1 Sprats	26	11
2 Potatoes	40	40
3 Red Onions	5	5
4 B' Onions	35	10
5 Garlic	40	40
6 Green Gram	70	10
7 Lentils - Whole	2	2
Lentils - Split	5	0.25
8 Chilies - Neither Crushed nor ground	25	25
Chilies - Crushed or ground	150	125
9 Canned fish	102	50
10 Sugar	33	30
11 Watana - Whole	15	15
Watana - Split	18	18
12 Chick Peas - Whole	7	7
Chick Peas - Split	10	10
13 Black Gram	110	60
14 Cowpea	70	70
15 Millet	70	70
16 Maldives Fish	302	102
17 Dried Fish	102	102
18 Orange-Fresh	65	65
19 Grapes - Fresh	130	130
20 Apples - Fresh	45	45
21 Seeds of Coriander - Neither Crushed nor Ground	46	26
Seeds of Coriander - Crushed or Ground	202	52
22 Seeds of Cumin	162	162
23 Seeds of Fennel	52	52
24 Turmeric - Neither crush Nor Ground	202	102
Turmeric - Other	510	360
25 Mathe - Seed	50	50
26 Kurakkan (Eleusine Coracana Spp.)	70	70
Kurakkan (Eleusine Coracana Spp.) Powder	150	150
27 Black Gram Flour	300	200
28 Ground Nut - Shelled	112	112
29 Mustard Seeds	62	62
30 Palm oil - Crude	90	110
Palm oil - Refine	110	130
Palm Kernel - Crude	110	130
Palm Kernel - Refine	125	145
31 Fish	10% or Rs.10 per Kg	10% or Rs.10 per Kg
Mackerel	10	6
32 Yoghurt	625	625
33 Butter	880	880
34 Margarine(Fat 80% or more)	175	175
Margarine - Other	275	275
35 Salt	40	40
36 Rice	1	*
37 Maize / Sorghum	10% per Kg	10% per Kg

Compiled by the Department of Trade and Investment Policy

* SCL for rice removed with effect from 06.05.2015

Nation Building Tax (NBT)

Total revenue from NBT amounted to Rs. 30.6 billion during the first nine months of 2015, a decrease of 1.8 percent, in comparison to Rs. 31.1 billion during the same period of 2014. This decline was mainly attributed to policy measures taken to abolish NBT and several other taxes applicable for the importation of motor vehicles and importation and manufacturing of liquor and tobacco as a measure of consolidation of the tax structure coupled with increased threshold of liable turnover to Rs. 3.75 million per quarter from Rs. 3.0 million per quarter.

The revenue collected from NBT on domestic activities declined by 1.2 percent to Rs. 19.2 billion in the first nine months of 2015 from Rs. 19.5 billion in the same period of 2014. However, manufacturing products, retail trade, distribution, rent income, food and pastry shop, bakery products (bread, cakes, biscuits, noodles), construction and concrete works were contributed positively to this performance.

During the first nine months of 2015, Rs. 15.3 billion was transferred to Provincial Councils (PCs) as NBT collection under the revenue sharing mechanism introduced in 2011.

Table 13 : Performance of NBT, Stamp Duty and Motor Vehicle Registration Fees

(Rs. Million)

Item	2014			2015 (a)			% Change 2015/2014		
	Jan. - Sep.			Jan. - Sep.			Jan. - Sep.		
	CG	PCs	Total	CG	PCs	Total	CG	PCs	Total
NBT*	31,155	15,578	46,733	30,579	15,290	45,869	-1.8	-1.9	-1.8
Domestic	19,480	9,740	29,220	19,250	9,625	28,875	-1.2	-1.2	-1.2
Import	11,675	5,838	17,513	11,329	5,665	16,994	-3.0	-3.0	-3.0
Stamp Duty**	-	5,988	5,988	-	8,410	8,410	-	40.4	40.4
Motor Vehicle Registration Fees***	517	1,207	1,724	930	2,170	3,100	79.9	79.8	79.8
Total	31,672	22,773	54,445	31,509	25,870	57,379	-0.5	13.6	5.4

Source : Department of Fiscal Policy

(a) Provisional

* Since 2011, 33 1/3 percent of the revenue collected from the NBT by the Central Government (CG) has been transferred to Provincial Councils (PCs).

** Since 2011, 100 percent of the revenue collected from the stamp duty by the CG has been transferred to PCs.

*** Data represent 70 percent of the revenue collected by the CG from motor vehicles registration fee and transferred to PCs.

Key: CG= Central Government; PCs= Provincial Councils

Telecommunication Levy (TL)

TL was introduced by Telecommunication Levy Act, No. 11 of 2011 in lieu of different indirect taxes charged on the industry, such as VAT and NBT. Revenue collected from the TL declined by 2.6 percent to Rs. 24.0 billion in the first nine months of 2015, in comparison to Rs. 23.4 billion recorded in the same period of 2014. The benefits time given to prepaid users was the main reason for this marginal decrease in revenue. The VAT exemptions

provided for the importation of machinery and high-tech equipment since 2011 helped acquire latest technology and also expansion in the sector.

Cess Levy

Cess Levy was introduced as a protective instrument for encouraging local value addition in export industry while discouraging importation of non-essential commodities into the country. On cumulative basis, the Cess revenue

collected from January to September 2015 increased by 15.4 percent to Rs. 31.7 billion, compared to Rs. 27.5 billion in the corresponding period of 2014. The revenue from import Cess imposed under Sri Lanka Export Development Act, increased by 17.1 percent to Rs. 29.7 billion in the first nine months of 2015, compared to Rs. 25.4 billion recorded in the same period of 2014. Upward revision of Cess rates of items, such as liquor, rubber, paper and paper board was mainly contributed to improvement in import Cess revenue. However, removal

of Cess for certain items specified under Chapter 87 of the Customs Tariff Guide was adversely affected to the Cess revenue. The imports of Portland cement, tiles, fabrics, textiles and steel were among the highest import Cess generated items in the reference period. Meanwhile, the revenue from export Cess for selected goods in primary form declined by 5.4 percent to Rs.2.0 billion, in comparison to first nine months of 2014. This was mainly backed by significant drop in both export volume and prices of tea and the decrease in mineral exports.

Table 14 : Cess Revenue from International Trade

Item	(Rs. Million)	
	Jan. - Sep.	
	2014	2015 (a)
Cess on Exports	2,111	1,997
Tea-under Tea (Tax and Control of Export) Act, Sri Lanka Tea Board Law	578	465
Rubber-under Rubber Replanting Subsidy Act	30	10
Coconut-under Coconut Development Act	104	100
EDB Cess- under Sri Lanka Export Development Act	1,399	1,422
Cess on Imports- under Sri Lanka Export Development Act	25,373	29,713
Total	27,485	31,709

Source: Department of Fiscal Policy

(a) Provisional

Ports and Airports Development Levy (PAL)

The revenue generated from PAL decreased by 17.3 percent to Rs. 38.9 billion in the first nine months of 2015, in comparison to Rs. 47.1 billion in the same period of previous year. This decline was mainly due to the introduction of a composite tax in place of other taxes. Despite the fact that revenue generated from PAL declined in the reference period, tax revenue from the imports of gas, diesel, petrol, milk and cream, wheat

grain, cement and mobile telephones increased in the reference period.

Non-Tax Revenue

Total non-tax revenue during the first nine months of 2015 decreased by 7.1 percent to Rs. 70.6 billion, compared to Rs. 76.0 billion recorded in the same period of 2014. The non-tax revenue of profits and dividends from SOBEs increased by 7.3 percent while sales and charges increased by 33.8 percent.

Table 15: Variance Analysis of Government Revenue (January – September) (Rs. Billion)

Item	2014	2015 Prov.	Reason
Income Tax	155.8	154.3	Revenue from PAYE tax increased by 16.3 percent due to the increase in the wages and salaries, the high compliance, tax rate reduction for upper limit to 16 percent and the increased tax free allowance up to Rs. 750,000. The tax revenue from WHT on interest income decreased by 22.9 percent due to limited issuance of government securities. Continuous increased in domestic economic activities, such as commercial banking, financial and insurance, export trade, manufacturing products and alcoholic beverages sectors contributed to the increase in the corporate and non-corporate tax revenue.
VAT	200.4	162.2	A policy decision taken to abolish VAT on the importation of motor vehicles and import and manufacturing of liquor, tobacco and cigarettes from VAT as a measure to simplify the tax system were negatively affected to VAT revenue. The rate reduction to 11 percent from 12 percent and the increase VAT registration threshold to Rs. 15 million were also attributed to this revenue decrease. In contrast, improved performance in sectors such as commercial banking, financial and insurance and tourism made a positive impact on the revenue.
Excise Tax	164.9	329.2	This significant achievement was mainly due to the policy change to simplify the tax system by introducing Excise (Special Provisions) Duty for the import of motor vehicles in lieu of VAT, NBT, Cess, Custom Duty and PAL. The revenue from excise tax on motor vehicles recorded a 143.9 percent growth supported by the higher demand for hybrid motor vehicles and the small motor cars due to duty reduction. Introduction of the Excise (Special Provisions) duty for the importation or manufacturing of cigarettes in lieu of VAT and NBT was also attributed for this increase.
Import Duty	59.5	73.5	This increase was mainly due to the policy change made to impose Custom Duty on importation of liquor in place of VAT and NBT. The increase in overall imports, particularly consumer goods such as cereals, manufacturing goods, such as rubber, chemical products, textiles and textile articles were positively contributed to this growth.
Port and Airport Development Levy (PAL)	47.1	38.9	The policy decision taken to abolish PAL from the importation of motor vehicles was the main reason for this decline.
Nation Building Tax (NBT)	31.2	30.6	Policy measures taken to abolish NBT on the importation of motor vehicles as well as importation and manufacturing of tobacco, cigarettes and liquor from NBT, increasing NBT threshold to Rs. 15 million contributed this marginal decline. However, growth in wholesale and retail sector, manufacturing activities, sale of food items, and banking and financial services made a positive impact on the revenue.
Other Taxes	93.3	99.5	Increased Cess rate on liquor helped expand the Cess revenue. The revision of the SCL rates helped increase the revenue from SCL whereas revenue from Telecommunication Levy decreased mainly due to the bonus talk time given to prepaid customers during last three months.
Non-tax Revenue	76.0	70.7	Due to the performances of the SOBEs, non-tax revenue by way of profits and dividends increased by 7.3 percent while that from sales and charges increased by 33.8 percent.
Total	828.2	958.9	

Compiled by the Department of Fiscal Policy

1.3 Government Expenditure

The government expenditure in the first nine months of 2015 amounted to Rs. 1,532.5 billion comprising Rs. 1,213.1 billion of recurrent expenditure and Rs.

319 billion of capital expenditure. The recurrent expenditure increased by 26.1 percent whereas capital expenditure declined by 12.4 percent in the review period.

Table 16: Performance of Government Expenditure

(Rs .Million)

Item	Jan. - Sep.	
	2014	2015 (a)
Recurrent Expenditure	962,076	1,213,087
Salaries	305,594	447,320
Pension	92,043	114,709
Interest	363,489	426,550
Other	200,950	224,508
Capital Expenditure	364,618	319,457
Total	1,326,697	1,532,544

Source : Department of National Budget
(a) Provisional

Personnel Emoluments and Pension

Personnel emoluments for public servants including those attached to the Provincial Councils (PCS) and Public Institutions increased by 46 percent to Rs. 447.3 billion in the first nine months of 2015. This increase was mainly due to the increase of monthly cost of living allowances (COLA) provision of all public servants coupled with the expansion of the recruitments. Around 19,000 employees who had been working on temporary, casual (on daily wages), substitute and contract basis in the public sector with a continuous and satisfactory service of 180 days, have been absorbed to the permanent cadre with effect from January, 2015. However, the full impact of the payment of a monthly interim allowance of Rs. 10,000 and payment of professional allowance for executive staff (between 3,000 - Rs.15,000) was reflected on the expenditure since June 2015.

Total pension payments amounted to Rs. 114.7 billion during the first nine months of 2015, in comparison to Rs. 92.0 billion in the same period in 2014 due to the payment of monthly interim allowance for pensioners of Rs. 2,500 from January and Rs.1,000 from April 2015. Furthermore, on the basis of the public sector salary structure implemented on 01.01.2006, the adjustment of pensions which was made with effect from 01.07.2015 has significantly contributed to the increased pension expenditure.

Interest Payments

Interest payments on domestic and foreign debt in the first nine months of 2015 amounted to Rs. 426 billion, a 17.3 percent increase over the corresponding period of 2014.

Table 17 : Behavior of Yield Rates on Government Securities and Exchange Rate: 2014-2015

Period	Treasury Bills (%)			Treasury Bonds (%)				Average Exchange Rate	
	91 days	182 days	364 days	2 year	3 year	4 year	5 year	Rs/US\$	
2014	Jan	6.82	7.00	7.14	-	-	-	8.65	130.72
	Feb	6.72	6.89	7.07	-	-	-	-	130.82
	Mar	6.65	6.82	7.05	-	-	-	-	130.62
	Apr	6.58	6.79	7.02	-	-	-	-	130.62
	May	6.56	6.75	7.02	-	-	-	8.90	130.45
	Jun	6.51	6.69	6.99	-	-	-	-	130.33
	Jul	6.43	6.54	6.68	-	-	-	-	130.24
	Aug	6.19	6.28	6.30	-	-	-	-	130.19
	Sep	6.15	6.23	5.89	-	-	-	-	130.26
	Oct	6.15	6.23	6.00	-	-	-	-	130.60
	Nov	6.15	5.84	6.00	-	-	-	-	130.94
	Dec	5.74	5.84	6.00	-	-	-	-	131.02
2015	Jan	5.80	5.90	6.05	-	-	-	-	131.55
	Feb	5.98	6.09	6.13	-	-	-	-	132.73
	Mar	6.60	6.70	6.80	-	8.70	-	9.13	132.90
	Apr	6.19	6.35	6.50	8.14	8.15	8.92	9.07	132.90
	May	6.10	6.22	6.31	-	7.96	8.15	8.46	133.50
	Jun	6.08	6.18	6.28	6.70	7.18	-	8.11	133.90
	Jul	6.28	6.43	6.48	-	8.18	-	8.39	133.69
	Aug	6.53	6.87	6.97	-	-	8.19	8.38	133.88
	Sep	6.78	7.07	7.18	-	-	-	9.58	138.88
	Oct	6.61	6.99	7.06	-	-	9.50	-	140.89

Sources: Department of Treasury Operations, Department of Public Debt and Central Bank of Sri Lanka

Welfare Expenditure

The expenditure on welfare programmes continued targeting the vulnerable groups and the needy segment of the society incurring by Rs. 113.2 billion during the first nine months of 2015, compared to Rs. 94.0 billion for the same period of 2014. The increase of Samurdhi relief by 200 percent, elders' allowances to Rs. 2,000 from Rs.1,000 and Poshana Malla also contributed expand the welfare expenditure.

Within this total expenditure, a significant amount of Rs. 55.8 billion was spent for Samurdhi relief, elderly and differently-abled soldiers, parents of security personnel, differently-abled persons, Kidney patients, and flood and drought affected families. It was a 91 percent increase over Rs. 29.3 billion recorded in a

same period of 2014. In addition, the expenditure on service compensation for the dead and differently-abled soldiers was Rs.17.2 billion during the first nine months of 2015, a 33.2 percent increase over the same period of 2014.

Rs. 3.6 billion was spent for the Poshana Malla, Thripasha programme, fresh milk and school nutritional programmes during the review period to improve nutritional status of mothers and children. The priority was given to continue free medicine for all incurring Rs.21.4 billion during the first nine months of 2015. Furthermore, free text books, uniforms, season tickets, bursaries, free Dhama school text books, mahapola scholarships, uniforms and library books allowance were provided at a cost of Rs .4.9 billion during the period concerned.

Table 18 : Welfare Expenditure*(Rs. Million)*

Item	Jan.- Sep.	
	2014	2015 (a)
Healthcare & Nutrition	27,045	24,096
Free Medicine for All	25,402	21,377
Thriposha Programme	1,365	1,320
Fresh Milk for Free School Children	112	101
Poshana Malla	278	1,298
Education	7,876	5,829
Free Text Books	1,961	2,283
Free School Uniforms	1,956	80
School Season Tickets	1,695	1,800
School Nutritional Foods	1,473	890
Mahapola Scholarships	87	241
Bursaries	285	252
Dhamma School Text Books	101	50
Dhamma School Uniforms for Teachers	161	59
Library Allowances for Dhamma School Teachers	157	174
Livelihood Support	35,739	52,441
Fertilizer Subsidy	18,438	6,766
Samurdhi Relief	11,359	30,100
Subsidies for Guaranteed Price for Tea & Rubber	-	7,201
Credit Subsidies for Replanting (Tea / rubber)	784	737
Credit Subsidies -Export Crops	166	168
Increase of Price & Paddy Purchasing	4,992	7,469
Social Welfare & Safety Net	23,304	30,855
Assistance for Differently-abled Persons & Kidney Patients	354	805
Assistance to Elderly Persons	1,975	5,810
Assistance to Differently-abled Soldiers	12,944	17,238
Social Care of Ranawiru Parents	2,530	1,729
Food Assistance as Flood and Drought Relief	108	157
Bus Services in Uneconomical Roots	4,770	4,975
World Food Programme	623	141
Total	93,964	113,221

Source: Department of National Budget

The fertilizer subsidy programme also continued with a cost of over Rs. 6.8 billion to provide all varieties of fertilizer for paddy farmers and other small crops holders. Furthermore, price subsidy programmes have been introduced for paddy, tea and rubber in 2015 of which, Rs. 7.5 billion incurred for paddy purchasing and Rs. 7.2 billion for guaranteed price for tea and rubber. In addition, Rs. 0.7 billion was spent on outlays for cultivation subsidy for tea and other export crops during this period.

Public Investment

The outlays on public investment continued during the first nine months of 2015 reflecting government's commitment towards infrastructure development drive covering the areas of education, health, roads, highways, water supply and sanitation, power and energy and irrigation and water management. The total public investment was Rs. 311.4 billion during the first nine months of 2015, a decline of 17.1 percent compared to Rs. 375.9 billion in 2014.

2. TREASURY OPERATIONS

2.1 Performance of the Government Treasury Cash Flow

Cash inflows to the General Treasury during the first nine months of 2015 increased by 20 percent, compared to the same period in 2014. Net cash deficit after outflows for recurrent and capital payments amounted to Rs. 597.6 billion which was lower than Rs. 39.1 billion

recorded in the corresponding period of 2014. This was mainly due to the increase of revenue by 20 percent and decrease in cash outflows for capital payments by 23 percent, compared to the corresponding period of the previous year. The overall closing cash balance (deficit) as at end September, 2015 was Rs. 176.0 billion which was lower than the cash deficit which prevailed at the end of September 2014, by Rs. 2.6 billion.

Table 19: Statement on Government Treasury Cash Flow Operations

Item	(Rs. Billion)		
	2014		2015
	Jan. -Sep.	Jan. -Sep.	Actual
Opening Cash Balance as at 1 st January	-165.7	-180.7	-180.7
Total Cash Inflow from Revenue and Other Receipts	769.1	967.3	922.5
Total Cash Outflow for Recurrent Payments	-999.0	-1,263.2	-1,206.3
Total Cash Outflow for Capital Payments*	-406.8	-502.8	-313.8
Net Cash Surplus / (Deficit)	-636.7	-798.7	-597.6
Gross Borrowing *	1,203.0	1,369.3	1,302.6
Debt Repayment	-567.8	-730.9	-712.2
Net Borrowing	635.2	638.4	590.4
Adjustment Account Balance (TEB, Net Deposits, etc.)	-11.4	2.7	11.9
Closing Cash Balance as at 30 th September	-178.6	-338.3	-176.0

*Source: Department of Treasury Operations *Includes project/programme loans received by the government and recorded in the CS-DRMS as at July 30, 2015*

2.2 Management of Government Debt

Government debt operations indicated total gross borrowing as Rs. 1,302.6 billion during the first nine months of 2015. Out of the total, Rs. 1,102.2 billion was domestic borrowings and the balance was foreign borrowings. The repayments of

government debt both domestic and foreign amounted to Rs. 712.2 billion while the net borrowing was Rs. 590.4 billion during this period. Table 20 summarizes government gross domestic borrowings during January - September, 2015.

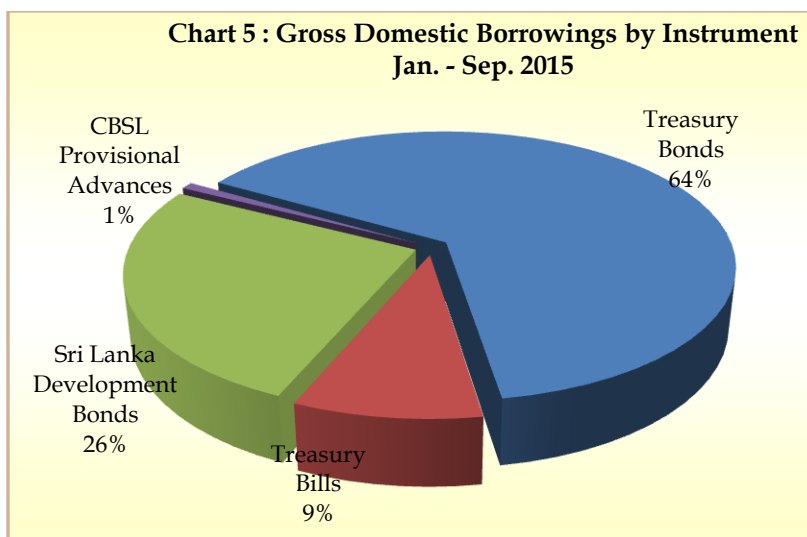


Table 20 : Gross Domestic Borrowings by Instruments

(Rs. Billion)

Instruments	Jan. -Sep. 2015
Treasury Bonds	707.7
Treasury Bills	97.5
Sri Lanka Development Bonds	288.0
CBSL Provisional Advances	9.0
Total	1,102.2

Source: Department of Treasury Operations

2.3 Disclosure of Contingent Liabilities on Treasury Guarantees

The value of Treasury Guarantees issued and remaining valid as at September 30, 2015 was Rs. 605.6 billion which is within

the limit of 7 percent of GDP as per the Section 2(a) of the Fiscal Management (Responsibility) (Amendment) Act, No. 3 of 2003. The list of Treasury Guarantees issued by the General Treasury as at September 30th, 2015 is given in Annex II.

3. FOREIGN FINANCING

3.1 Foreign Financing Commitments (January to September, 2015)

The total commitments made by the development partners and lending agencies to Sri Lanka to support the public investment program during

January to September 2015 was US\$ 641.7 million of which project loans amounted to US\$ 637.2 million and grant was US\$ 4.5 million. Table 21 shows a details of the Agreements signed during the first nine months of 2015.

Table 21: Foreign Financing Agreements Signed During (January - September 2015)

Development Partner/ Lending Agency	Loan /Grant	Agreement Date	Project	Amount Committed			
				In Signed Currency	Amount Million	SL Rs. Mn	US\$ Mn.
Food and Agriculture Organization (FAO)	Grant	25/02/2015	Agro Economic Development Project	CAD	3.0	320.0	2.4
Government of Korea	Loan	22/05/2015	Hatton-Nuwara Eliya Improvement Project	KRW	19,166.0	2,317.2	17.3
Asian Development Bank (ADB)	Loan	28/05/2015	Integrated Road Investment Program	XDR	6.1	1,148.2	8.6
Asian Development Bank (ADB)	Loan	28/05/2015	Integrated Road Investment Program	USD	98.0	13,122.2	98.0
Australia and New Zealand Bank in Australia	Enhancement(Loan)	29/05/2015	Integrated Water Supply Scheme for the Un-served Areas of Ampara District	USD	7.5	1,004.0	7.5
Government of Sweden	Enhancement(Loan)	03/06/2015	Ratmalana & Jaela Wastewater Treatment Facilities Project	USD	3.1	415.0	3.1
OPEC fund for International Development	Loan	26/06/2015	Western Province Road development Project	USD	17.0	2,273.1	17.0
OPEC fund for International Development	Loan	26/06/2015	Badulla Chenkaladi Road Development Project	USD	60.0	8,022.7	60.0

Government of Japan	Loan	11/08/2015	National Transmission and Distribution Network Development and Efficiency Improvement Project	JPY	23,900.0	26,729.9	199.9
Government of Japan	Enhancement(Grant)	14/08/2015	Amendment to the Grant Agreement for Rehabilitation of Killinochchi Water Supply Project	JPY	248.0	277.4	2.1
HSBC (With a Guarantee of EKF Denmark)	Loan	14/08/2015	Establishment of Dairy Processing Plant at Badalgama-	EUR	66.6	9,932.7	74.2
Asian Development Bank (ADB)	Loan	17/09/2015	Mahaweli Water Security Investment Programme - Tranche 1	XDR	53.6	10,624.1	75.6
Asian Development Bank (ADB)	Loan	17/09/2015	Mahaweli Water Security Investment Programme - (Tranche 1)	USD	76.0	10,688.3	76.0
Total						86,874.8	641.7

Source: Department of External Resources

Note : The conversion rates used for this report were the exchange rates prevailed for different currencies at the date where the disbursement was made.

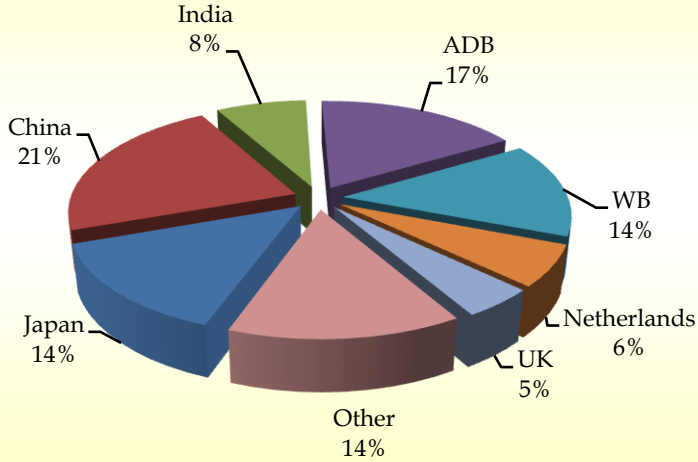
3.2 Foreign Financing Disbursements (January to September, 2015)

The total disbursements from commitments already made by various bilateral and multilateral development partners during January to September of 2015 was US\$ 938.4 million (LKR 125,616 million), of which project loans accounted to US\$ 914.1 million, 97.4 percent of total disbursement, and grant amounted to US\$ 24.4 million.

Table 22 shows disbursements made during the period by each development

partners. Out of total disbursements recorded during the first nine months of 2015, 63.7 percent or US\$ 597.7million was financed by the bilateral development partners and 36.3 percent or US\$ 340.7 million was made by multilateral development partners. The highest amount of disbursement (US\$ 208.7 million) was made for the projects funded by China followed by ADB, World Bank and Japan by disbursing US\$ 160.3 million, US\$ 134.5 million and US\$ 131.6 million, respectively.

Chart 6 : Foreign Finance Disbursements by Development Partners - Jan.-Sep. 2015



Around 29.5 percent of the total disbursements during January to September in 2015 was mobilized for the roads and bridges and ground transport sector. Disbursements for the projects

under water supply and sanitation, health and social welfare and power and energy amounted to around 10.7 percent, 8 percent and 7.8 percent, respectively.

Chart 7 : Disbursements by Sector -Jan -Sep 2015

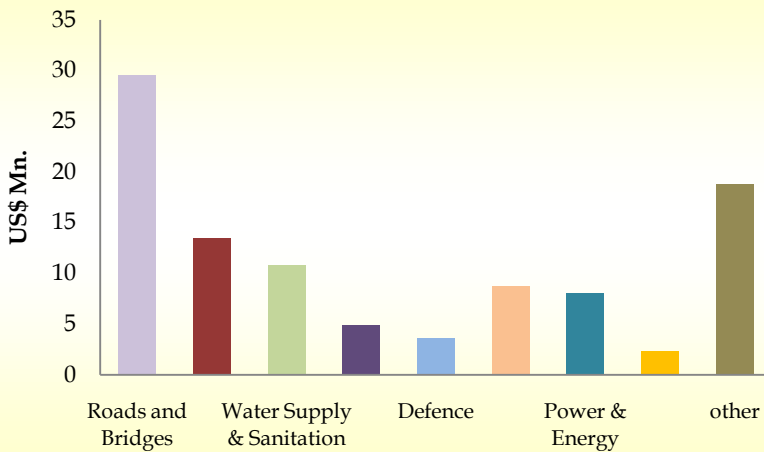


Table 22: Foreign Finance Disbursement by Development Partner

(Millions)

Development Partner/ Lending Agency	Jan. -Sep. 2015					
	Loan		Grant		Total Amount	
	Rs.	US\$	Rs.	US\$	Rs.	US\$
Bilateral	79,330.5	592.6	682.5	5.2	80,013.1	597.7
China	27,969.3	208.7	-	-	27,969.3	208.7
Japan	17,181.0	128.4	422.3	3.2	17,603.3	131.6
India	9,544.9	71.4	-	-	9,544.9	71.4
United Kingdom	5,602.6	41.9	-	-	5,602.6	41.9
Netherlands	7,778.8	58.3	-	-	7,778.8	58.3
South Korea	2,081.8	15.6	-	-	2,081.8	15.6
Hungry	660.3	4.9	-	-	660.3	4.9
Sweden	285.5	2.1	-	-	285.5	2.1
Spain	1,300.4	9.8	-	-	1,300.4	9.8
France	909.7	6.6	-	-	909.7	6.6
Austria	687.2	5.1	-	-	687.2	5.1
Belgium	1,119.5	8.4	-	-	1,119.5	8.4
Germany	190.0	1.4	260.2	2.0	450.3	3.4
Kuwait	1,060.2	7.6	-	-	1,060.2	7.6
USA	950.7	7.1	-	-	950.7	7.1
Saudi Fund	2,008.7	15.0	-	-	2,008.7	15.0
Multilateral	43,059.0	321.5	2,544.1	19.2	45,603.1	340.7
Asian Development Bank	21,276.0	158.7	206.5	1.6	21,482.5	160.3
World Bank - International Development Association	13,345.5	99.4	2,092.7	15.8	15,438.2	115.2
World Bank - International Bank for Reconstruction and Development	2,496.7	18.8	70.4	0.5	2,567.1	19.3
International Fund for Agricultural Development	459.5	3.5	66.9	0.5	526.4	4.0
UNDP	-	-	20.4	0.2	20.4	0.2
UNFPA	-	-	4.5	-	4.5	-
UNICEF	-	-	82.7	0.6	82.7	0.6
OPEC Fund for International Development (OFID)	1,535.2	11.5	-	-	1,535.2	11.5
European Investment Bank	3,946.1	29.5	-	-	3,946.1	29.5
Total	122,389.5	914.1	3,226.6	24.4	125,616.1	938.4

Source - Department of External Resources

Note - 1. The conversion rates used for the report were the exchange rates prevailed for different currencies at the date where the disbursement was made

2. Disbursements made from foreign loans obtained by SOBEs are not included..

3.3 Committed Undisbursed Balance (CUB) and Utilization

The total undisbursed balance for foreign financing available for development projects as at 30.09.2015 was US\$ 7,671.2 million, of which US\$ 5,320.3 million or 69 percent of total undisbursed balance was

available for economic infrastructure sector, which includes balance available for road and bridges, power and energy and water supply and sewerage sectors amounting to US\$ 3,176.4 million, US\$ 868.6 million and US\$ 794.5 million, respectively. The sector-wise classification of the committed undisbursed balance is demonstrated in Table 23.

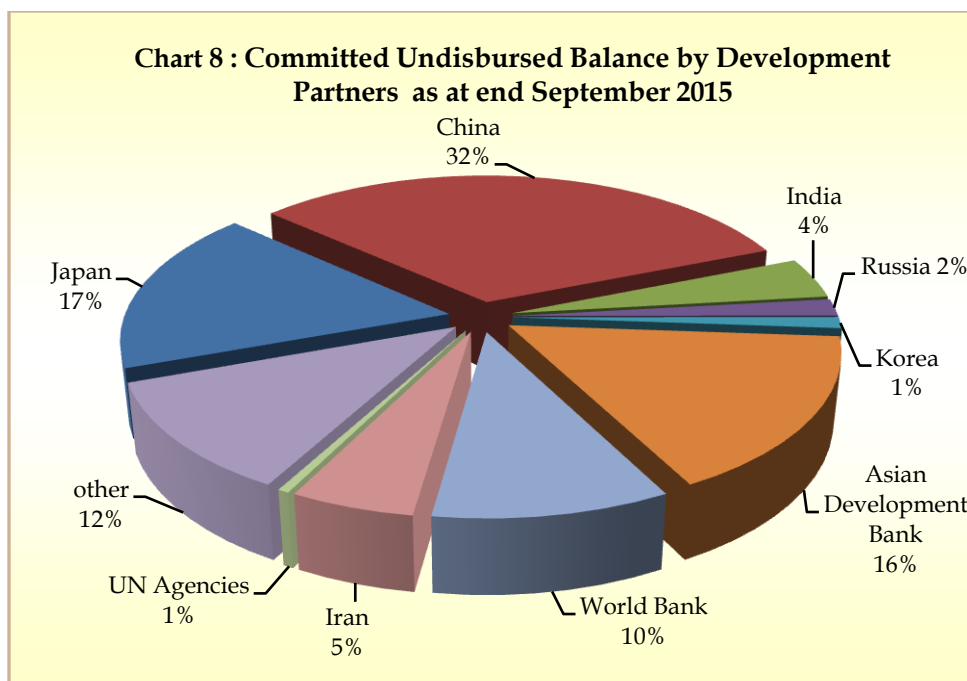
Table 23 : Sector-wise Commitment Undisbursed Balance as at end September 2015

Economic Sector	(Million)	
	Rs.	US\$
Agriculture	91,740.9	649.6
Agriculture	3,289.7	23.3
Livestock Development	12,036.5	85.2
Land & Irrigation	76,414.7	541.1
Economic Infrastructure	751,415.6	5,320.3
Transport	51,367.4	363.7
Ports & Shipping	16,543.0	117.1
Power & Energy	122,677.9	868.6
Water Supply and Sewerage	112,206.5	794.5
Road and Bridges	448,620.8	3,176.4
Social Infrastructure	103,960.1	736.1
Education & Vocational Training	41,332.9	292.7
Health & Social Welfare	23,503.1	166.4
Housing & Urban Development	37,465.4	265.3
Rehabilitation	1,658.7	11.7
Regional & Rural Development	409.1	2.9
Finance & Banking	1,772.5	12.5
Institutional & Industrial Development	3,409.7	24.1
Environment	8,874.7	62.8
Other	121,849.8	862.8
Total	1,083,432.4	7,671.2

Source: Department of External Resources

Note: Foreign loans commitments received by SOEs are not included

Chart 8 : Committed Undisbursed Balance by Development Partners as at end September 2015



3.4 Outstanding External Debt and Debt Service Payments

By the end of September 2015, the total outstanding external debt of the government was US\$ 20.73 billion². The total debt service payments³ from January to September 2015 amounted to US\$ 1,575.9 million, of which US\$ 1,123.9

million was for principal payments and the balance, US\$ 452.0 million was for interest payments. Total estimated debt service payments for 2015 amounted to US\$ 1,832.4 million⁴, of which 86.0 percent has already been made by 30th September 2015.

²This includes outstanding external debt for loans obtained to finance development projects and International Bond Issuances. Loans obtained by State Owned Enterprises (SOEs) and foreign investment on Treasury bond and Treasury Bills are not included.

³Debt service = Principal Payments + Interest Payments.

⁴ Including the Debt Service Payments of International Bond Issues. US \$ estimations are based on the exchange rates as at 30th September 2015.

4. PERFORMANCE OF STATE OWNED BUSINESS ENTERPRISES

4.1 Overview

During the first eight months of 2015, 19 SOBEs contributed towards government's non-tax revenue by way of paying

dividends and levies to the Consolidated Fund totaling Rs. 20.3 billion. Profitability of these SOBEs recorded Rs .42.7 billion for the first eight months of 2015.

Table 24: Profitability of 55 State Owned Business Enterprises (SOBEs) as at 31.08.2015

(Rs. Million)

Enterprises	Profit Before Tax			
	2013	2014	01/01/2015 to 31/08/2015 *	2015 Estimate
Bank of Ceylon	15,258	20,777	12,224	24,150
People's Bank	10,304	17,200	11,725	18,530
National Savings Bank	2,279	10,472	8,329	11,037
State Mortgage & Investment Bank	343	411	494	492
Housing Development Finance Corporation	309	818	518	829
Lankaputhra Development Bank	371	193	82	163
Regional Development Bank	689	1,268	592	2,029
Sri Lanka Savings Bank	616	236	196	354
Employment Trust Fund Board	15,167	17,274	11,476	16,869
Sri Lanka Insurance Corporation	5,012	3,257	1,679	5,326
National Insurance Trust Fund	4,374	4,674	1,600	2,854
Sri Lanka Export Credit Insurance Corporation	207	190	165	246
Agriculture & Agrarian Insurance Board	-1,887	-1,941	-1,759	-3,000
Ceylon Electricity Board	18,636	-15,628	14,625	6,810
Ceylon Petroleum Corporation	-7,770	1,633	-4,912	-4,544
Sri Lanka Ports Authority	1,625	7,950	5,651	5,646
National Water Supply & Drainage Board	1,193	1,432	48	-1,246
Airport & Aviation Services Ltd	4,746	5,496	3,115	3,572
Sri Lankan Airlines Ltd	-32,358	-16,433	-6,488	-12,649
Mihin Lanka Ltd	-2,550	-1,187	-667	-869
Sri Lanka Transport Board	-3,496	-1,865	-8,601	2,658
State Engineering Corporation of Sri Lanka	149	-173	-452	-515
Central Engineering Consultancy Bureau	585	736	205	280
State Development and Construction Corporation	90	90	40	93
Milco (Pvt) Ltd	160	185	23	106
National Livestock Development Board	2	87	111	27
Sri Lanka State Plantation Corporation	-228	-69	-92	-140
Janatha Estate Development Board	-248	-237	-129	-98
Kurunegala Plantations Ltd	208	227	111	216

Chilaw Plantations Ltd	82	85	103	138
Kalubovitiyana Tea Factory Ltd	28	24	17	75
Sri Lanka Cashew Corporation	1	2	2	3
Lanka Mineral Sands Ltd	30	328	220	545
Lanka Phosphate Ltd *	172	118	70	102
Kahatagaha Graphite Lanka Ltd *	21	-13	5	10
Development Lotteries Board	1,979	2,345	1,566	2,266
National Lotteries Board	477	582	228	173
State Pharmaceuticals Manufacturing Corporation	328	270	255	207
Sri Lanka Ayurvedic Drugs Corporation	42	47	265	406
State Pharmaceuticals Corporation	777	654	533	1,451
Sri Jayewardenepura General hospital	92	549	70	138
Independence Television Network Ltd	847	566	339	510
Sri Lanka Rupavahini Corporation	48	-182	-287	32
Sri Lanka Broadcasting Corporation	-130	-51	83	3
Sri Lanka Handicraft Board	24	21	7	40
State Timber Corporation	382	425	195	453
STC General Trading Company	78	46	-24	6
Lanka Sathosa Ltd	663	364	-1,113	NA
State Printing Corporation	78	71	8	97
Ceylon Fisheries Corporation	-80	-56	-50	1
Ceylon Fishery Harbour Corporation	-42	20	-70	30
Ceylon Fertilizer Company Ltd	127	178	93	408
Colombo Commercial Fertilizer Company Ltd	123	113	131	357
Hotel Developers Lanka Ltd.	253	316	54	108
Lanka Sugar Company (Pvt.) Ltd	1,346	-108	-1,069	-1,262
Total	41,532	63,788	51,539	85,522

*Provisional

NA - Not Available

Sources: SOBEs, Department of Public Enterprises

4.2 Performance of Key SOBEs

Energy

Ceylon Electricity Board (CEB): The CEB currently owns a sustainable cost effective diversified generation mix. The Power Generation mix of the country was substantially changed along with the commissioning of the 3rd phase of Lakvijaya Coal Power Project. Electrification level of the country reached

98 percent and the increase demand for electricity is expected with the potential development of the industry and services sector.

The electricity generation cost per unit was significantly reduced to Rs. 13.82 kWh in the first eight months in 2015, compared to Rs. 20.15 kWh in 2014 mainly due to the increased use of hydropower with the favourable weather conditions.

Meanwhile, power generation from coal was around 40 percent in first eight months of 2015, compared to 26 percent in

2014. This has enabled the CEB to have a profit of approximately Rs. 14.6 billion for the first eight months of 2015.

Table 25 : Composition of Generation Capacity

Item	Installed Capacity MW	Composition (%)
Major Hydro	1,377	35.9%
CEB-Coal	900	23.5%
CEB - Oil	544	14.2%
IPP - Oil	571	14.9%
NCRE	445	11.5%
Total	3,837	100.0%

Source: Ceylon Electricity Board

Ceylon Petroleum Corporation (CPC):

Government is in the process of reviewing the existing energy policy to make both the CPC and the CEB self-financing entities while maximizing the benefit to the stakeholders. The CPC incurred a loss of Rs. 4,900 million at the end of August 2015, compared to a marginal profit of Rs. 500 million recorded in the same period of 2014. The CPC's outstanding borrowings from two state commercial banks decreased to Rs. 330 billion as at end August 2015 from Rs. 375 billion at the end of 2014. In order to strengthen the financial position of the CPC, the General Treasury has proposed to issue Treasury bonds amounting to Rs.100 billion in 2015. In addition, government issued Treasury Guarantees worth of US\$ 1,350 million to secure the bank exposures.

Water

National Water Supply and Drainage Board (NWSDB):

During the first eight months of 2015, a total of 88,917 new water connections were provided particularly in Gampaha, Kegalle, Kandy and Colombo. The total revenue of the NWSDB was Rs. 12,552 million during the first eight months of 2015, with a total

operating cost of Rs. 12,504 million which has resulted in a profit of Rs. 48 million.

During the period, several remedial measures were taken to reduce the non-revenue water, such as replacing defective meters and pipe lines, disconnecting several illegal connections, installing several new bulk meters and valves, repairing leaks and conducting meter reading audits.

Ports

Sri Lanka Ports Authority (SLPA):

The SLPA recorded a profit before tax of Rs. 5.6 billion during the first eight months of the year as against the budgeted profit before tax of Rs. 4.6 billion. Total revenue of the SLPA during the first eight months of 2015 was Rs. 25.3 billion and total expenditure was Rs. 19.7 billion. Outstanding borrowings of the SLPA marginally decreased to Rs. 216 billion as at end June 2015 from Rs. 218 billion as at end 2014. The interest cost of foreign loans was Rs. 1.6 billion during the first eight months of 2015.

East Container Terminal commenced its operations on 27th April 2015 under the

direct control of the SLPA and it is now expected to accommodate Latest Generation Container ships. With effect from January 2015, salaries of the SLPA staff were increased with an objective of improving efficiency by allowing the SLPA employees to compete with other ports in the region and other private container terminals and also to maintain industrial peace without any employee unrest. Implementation of prudent debt management is necessary to ensure debt sustainability due to the substantial amount of outstanding loans at SLPA.

Aviation

Airport and Aviation Services (Sri Lanka) Limited (AASL): The AASL handled around 4.9 million passengers including 710,384 transit passengers January to July 2015 which was a 11 percent increase, compared to the same period of 2014. The AASL also recorded 11 percent growth in its revenue by earning Rs. 8,513 million during January to July 2015, compared to Rs. 7,696 million in the same period of 2014. Aeronautical revenue increased by Rs. 173 million or 9 percent while non-aeronautical revenue increased by Rs. 175 million or 7 percent in the period of 2015, compared to the same period of 2014. The AASL recorded a profit after tax of Rs. 1,957 million for the first seven months period of 2015 which was a 13 percent improvement compared to the profit after tax of Rs. 1,739 million recorded in the same period of 2014. Total foreign borrowings of the AASL as at 31st August 2015 stood at Rs. 5,747 million. The company paid Rs. 371 million for interest payments as at end August 2015 to service seven foreign loans obtained through the General Treasury. The AASL will commence servicing of the

loan amounting to US\$ 190 million obtained for the construction of Mattala Rajapaksha International Airport from September 2015.

Sri Lankan Airlines Limited (SLA): Government decided to prepare a viable and comprehensive business plan for the SLA and Mihin Lanka Ltd. (MLL) and amalgamate these two airlines due to the substantial losses incurred. Both airlines have already prepared their business plans and obtained Cabinet approval for the same. The SLA has obtained a credit facility of Rs. 30 billion from Bank of Ceylon and People's Bank with the Letters of Comfort from the General Treasury for the SLA and the MLL until the capital infusion is to be made by the General Treasury with the Cabinet approval.

The SLA earned a revenue of Rs. 86.6 billion for the first eight months of 2015, 6 percent increase over the budgeted revenue. Also, it was a 4.5 percent increase, compared to the same period of 2014. Total expenditure of the SLA was Rs. 93.08 billion up to end August and total loss for same period was Rs. 6.48 billion. This has resulted in increasing the accumulated losses of the SLA to Rs. 131 billion.

State Banks

Bank of Ceylon (BOC): Bank of Ceylon (BOC) offers online access and operates 540 Automated Teller Machines (ATMs) service points in small towns and major cities across the island. The transformation programme "Wenesa", which was commenced in 2014 to introduce an organization wide transformation process in employees, business processes and technology, is

delivering positive results to become a customer centric bank.

The asset base of the BOC recorded an increase of 5.8 percent to Rs. 1,406 billion by the end of June 2015 from Rs. 1,329 billion as at end 2014. The deposit base of the bank increased to Rs. 965 billion, compared to Rs. 934 billion as at end 2014. The non-performing loan ratio of the Bank increased to 5.4 percent during the first half of 2015, in comparison to 3.8 percent as at end 2014. The BOC has recorded a profit before tax of Rs. 9.1 billion for the first six months of 2015, compared to Rs. 8.6 billion in the corresponding period in 2014.

People's Bank (PB): People's Bank (PB), the second largest state bank in Sri Lanka which surpassed one trillion asset base, commenced the year 2015 with a new strategic plan to create and foster a performance oriented and customer centric culture. With the aim of being a more digitally capable bank, the PB is expanding its mobile and internet banking services. Bank's asset base recorded an increase of 4.7 percent to Rs. 1,075 billion by the end June 2015 from Rs. 1,027 billion as at end 2014. Deposit base of the bank increased by 7.9 percent to Rs. 855.7 billion by the end of June 2015, in comparison to Rs. 793.3 billion as at end 2014. Bank's Current Accounts to Savings Accounts (CASA) ratio was 46.3 percent as at end 2014, a slight decline of 0.6 percent and stood at 45.7 percent by the end June 2015. The PB recorded a profit before tax of Rs.8.5 billion for the first six months of 2015, in comparison to Rs.6.2 billion for the corresponding period of 2014.

National Savings Bank (NSB): The NSB, in the context of changing customer needs and developments in information and communication technology, identified the need of augmenting the products and services, expanding the branch network, benchmarking the service standards and streamlining the internal systems and procedures. Bank extended its branch network to 240 branches with the opening of 4 new branches during the period. With the goal of maintaining a market share of 12 percent in deposits over the next few years, bank's initiatives to mobilize deposits resulted in an increase in deposits by Rs. 21 billion by the end June 2015, in comparison to Rs. 554 billion at end 2014. Total assets of the bank increased by 4.7 percent to Rs. 816 billion as at end June 2015, compared to Rs. 779 billion as at end 2014. The NSB recorded a profit before tax of Rs. 6.2 billion for the first six months of 2015, in comparison to Rs. 3.7 billion in corresponding period in 2014. Bank's interest margin improved to 3.49 percent during the period from 3.0 percent in 2014.

Insurance

Sri Lanka Insurance Corporation (SLIC): In the context of dynamic and competitive business environment, the SLIC recorded a profit before tax of Rs. 1,480 million during the eight months of 2015 and registered a total revenue of Rs. 17.4 billion which was a decline, compared to Rs. 19.5 billion during the corresponding period of 2014. Even though initiatives have been taken to split life and general insurance business into two separate companies as required under the Regulation of Insurance Industry (Amendment) Act, No. 03 of 2011, it was suspended due to the protesting of trade

unions. A new management was appointed for the SLIC and the subsidiaries in 2015 and initiatives were taken for effective management of the SLIC. Life policy holders of the SLIC were benefited with Rs. 4.7 billion bonus

during the period, which was the biggest bonus ever declared in the industry and working on the life insurance penetration. The SLIC remains as the market leader for general insurance.

Table 26 : Levy/Dividend of State Owned Enterprises

(Rs. Million)

Item	2011	2012	2013	2014	As at 31.08.2015
Levy	20,189	32,774	20,960	29,697	13,685
National Savings Bank	4,560	8,260	5,060	4,060	2,110
Telecommunication Regulatory Commission	9,050	7,200	10,100	10,000	10,000
Ceylon Petroleum Corporation	-	-	-	10,000	-
State Mortgage & Investments Bank	-	25	40	10	-
Regional Development Bank	-	500	500	-	-
State Timber Corporation	75	50	50	25	-
State Pharmaceuticals Manufacturing Corporation	59	20	20	25	-
National Insurance Trust Fund	3,495	4,200	3,200	4,000	1,000
Geological Survey and Mines Bureau	740	750	700	650	100
National Gem and Jewellery Authority	-	-	100	-	75
Sri Lanka Export Credit Insurance Corporation	-	-	25	-	-
Ceylon Electricity Board	2,000	-	-	-	-
Board of Investment	210	200	-	100	-
National Lotteries Board	-	502	500	-	-
Securities and Exchange Commission	-	-	94	-	-
Insurance Board of Sri Lanka	-	-	300	-	-
State Institutions Temporary Surplus Trust Fund	-	10,700	-	-	-
Sri Lanka Rupavahini Corporation	-	5	-	2	-
Sri Lanka Convention Bureau	-	12	-	-	-
Sri Lanka Tourism Promotion Bureau	-	-	-	500	-
Civil Aviation Authority	-	350	200	250	400
State Pharmaceutical Corporation	-	-	50	75	-
Sri Lanka Standards Institution	-	-	20	-	-
National Livestock Development Board	-	-	1	-	-
Dividends	14,162	13,987	14,208	17,117	6,672
Bank of Ceylon	4,020	5,346	5,346	6,846	3,646
People's Bank	4,500	4,658	4,816	6,316	1,816
Lankaputhra Development Bank	6	18	36	36	-
National Development Bank	2	4	10	6	2

Sri Lanka Telecom PLC	536	759	760	759	795
De La Rue Lanka (Pvt) Ltd	68	42	43	49	-
Lanka Mineral Sands Ltd	500	1,700	-	43	-
Lanka Industrial Estates Ltd	31	47	54	55	-
Airport and Aviation Services Ltd	2,406	-	500	500	250
Lanka Logistics (Pvt) Ltd	-	-	-	2	1
Lanka Electricity Company Ltd	-	75	75	25	87
Kurunegala Plantation Ltd	70	50	40	40	-
Kalubovitiyana Tea Factory	-	10	-	-	-
Chilaw Plantation Ltd	75	75	35	20	-
Pussellawa Plantation Ltd	28	22	14	8	-
Kotagala Plantation Ltd	34	7	9	-	-
Namunukula Plantation Ltd	6	15	33	13	-
Elpitiya Plantation Ltd	6	-	8	12	-
Sri Lanka Insurance Corporation Ltd	1,750	1,001	2,199	2,001	3
Lanka Sugar Company Ltd	-	-	-	80	-
Lanka Phosphate Ltd	20	40	25	35	-
Independence Television Network Ltd	49	88	50	125	-
Rakna Arakshaka Lanka Ltd	-	10	17	68	-
Colombo Commercial Fertilizer Ltd	-	8	10	12	10
Paranthan Chemicals Company Ltd	2	3	-	10	-
Ceylon Fertilizer Ltd	12	4	9	38	54
Ceylon Shipping Corporation Ltd			10	-	-
Kahatagaha Graphite Lanka Ltd			4	1	0.1
Lanka Leyland Ltd	35	5	97	11	-
Skills Development Fund			2	-	2
Ceylon Agro Industries Ltd			6	7	6
Manthai Salt Ltd	-	-	-	0.8	-
Asian Reinsurance Corporation	6			-	-
Total	34,351	46,761	35,168	46,813	20,357

Sources: SOBEs, Department of Public Enterprises

5. THE ECONOMY

5.1 Economic Growth

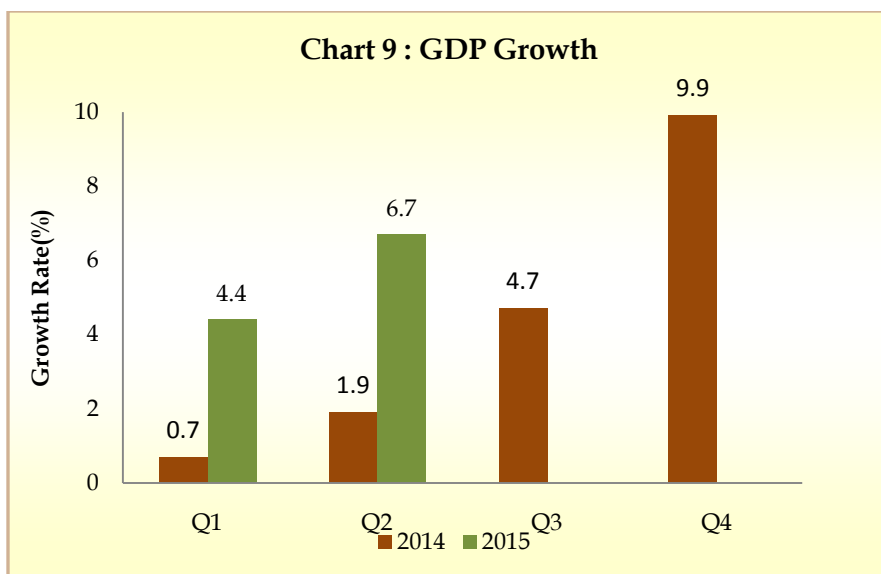
The Sri Lankan economy demonstrated a robust growth of 5.6 percent during the first half of 2015, in comparison to a growth of 1.3 percent recorded during the corresponding period of 2014 reflecting the improvements of economic activities in the country amidst challenges in domestic as well as external fronts. The favourable macroeconomic environment, peaceful atmosphere in the country with good governance initiatives and re-energized tourism industry provided an impetus for the growth. The Agriculture, Industry and Services sectors contributed to GDP by 7.4 percent, 26.5 percent and 59.7 percent, respectively in the first half of 2015.

The Agriculture sector recorded a growth of 3.3 percent during the first half of 2015, in comparison to a negative growth of 0.7 percent recorded in the same period of 2014 benefitting from the strong performance of paddy, coconut, forestry and marine fishing. In addition, the highest ever Yala paddy production was recorded in 2015 amounting to 1.9 million MT. However, the growth in rubber, tea and spices production slowed down due to heavy rainfall in such crops growing areas.

The Industry sector also regained its momentum registering a growth of 1.3 percent in the first half of 2015, in comparison of 4.5 percent contraction recorded in the same period of 2014. Notably, food, beverages and tobacco sub-sector showed a strong performance recording a 6.5 percent growth in the

review period, compared to a 0.4 percent contraction registered in the same period of 2014. The performance of the Industry sector was also driven by significant growth of value-added industrial production of several sectors: chemical products and basic pharmaceutical products; basic metals and fabricated metal production; rubber and plastic products; electricity, gas, steam and air conditioning supply and textile, wearing apparel and leather products. In addition, the growth was contained by a relatively lower growth in construction, mining and quarrying and non-metallic mineral products sub-sectors.

The Services sector contributed for 59.7 percent to GDP, registering a robust growth of 7.1 percent in the reference period, compared to 4.2 percent growth recorded in 2014. This significant growth was mainly driven by the expansion of wholesale and retail trade, transport, real estate and financial services activities. The wholesale and retail trade sub-sector expanded by 5.8 percent, real estate activities and financial services grew by 16.2 percent and 12.7 percent, respectively in the first half of 2015. The financial services, real estate and insurance sectors registered a strong growth in the first half of 2015 following a relaxed monetary policy adopted by the Central Bank with a resultant decline in interest rates and cost of borrowings. Meanwhile, accommodation, food and beverages sub-sector demonstrated a robust growth of 8.6 percent, compared to the contraction of 3.6 percent recorded in the first half of 2014 due to increased tourists' arrivals by 14.1 percent in the first six months of 2015.

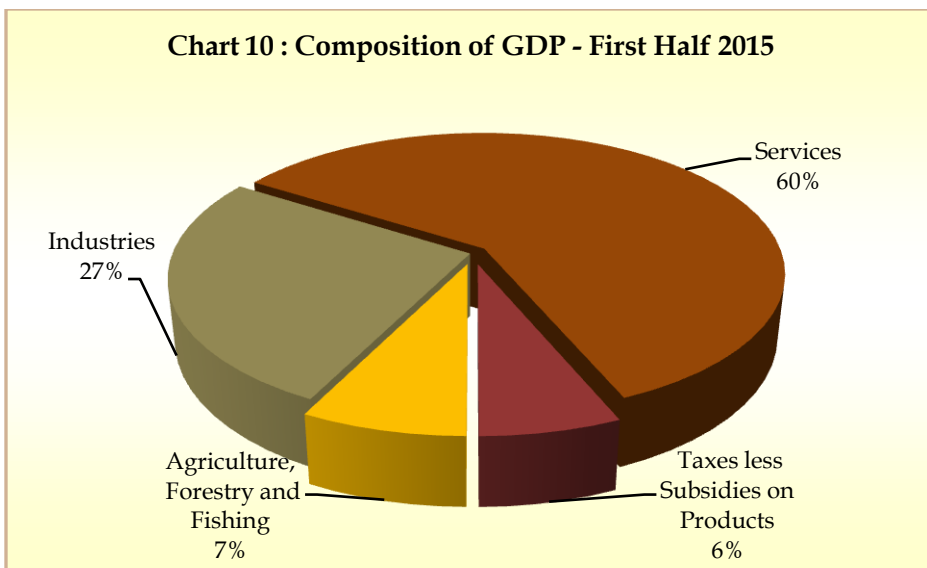


5.2 Agriculture

Agriculture, forestry and fishing sector grew by 3.3 percent during the first half of 2015, in comparison to a negative growth of 0.7 percent recorded in the same period of 2014 benefitting from strong performances of paddy, coconut, forestry and marine fishing. The favourable weather condition prevailed in the country helped record the highest ever Yala paddy production in 2015. In contrast, the value added tea production contracted by 1.2 percent in the first half of 2015 due to the unfavourable weather condition prevailed particularly, during the second quarter of 2015. Meanwhile, the marine fishing sub-sector expanded by 4.2 percent in the first half of 2015. However, the value-added fresh water fish production dropped by 25.2 percent in the review period, compared to a higher growth of 82.5 percent in 2014

mainly due to the reduction of fish catch followed by declined release of fingerlings to the tanks in last months of 2014. Furthermore, Agriculture sector was supported by the forestry and logging, coconut and other perennial crops sub-sectors. However, rubber and spices production declined due to the unfavourable rainfall prevailed. Government's commitment towards achieving food security in the country is being progressed in 2015 by providing agriculture infrastructure, provision of agricultural extension services, credit facilities and interest subsidies through special loan schemes, provision of high quality seed and planting material, fertilizer at subsidized prices for paddy and other crops, maintaining better farm-gate prices for fresh milk, paddy, tea and rubber and tax policy measures to protect local farmers as well as consumers.

Chart 10 : Composition of GDP - First Half 2015



Rice

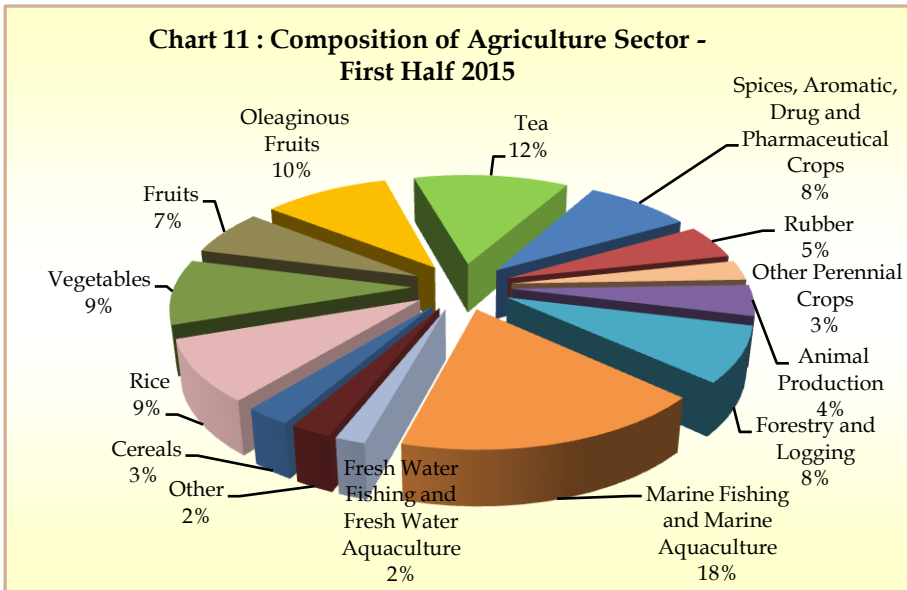
Sri Lanka is now self-sufficient in rice with excess production over consumption requirements. The value addition of paddy production, which accounted for 8.7 percent of Agriculture sector, grew by a higher rate of 48.9 percent during the first half of 2015, compared to 30.1 percent contraction recorded in the first half of 2014. The total paddy production in 2015 marked a record of 4.8 million MT due to the highest ever paddy production of around 1.9 million MT recorded in Yala season and increased 2014/2015 Maha production around to 2.9 million MT. This was due to the increase extent cultivated and enhanced average yield of paddy in 2015. With this bountiful harvest, government was compelled to declare guaranteed prices of Rs. 50 per kg for Samba and Rs. 45 per kg for Nadu.

Tea

The tea sub-sector, which accounted for 12.5 percent of Agriculture sector, contracted by 1.2 percent during the first half of 2015, compared to a negative

growth of 1.0 percent during the same period of 2014. The tea production declined by 0.6 percent to 172.6 million kg in the first half of 2015, compared to 173.6 million kg in the same period of 2014. The continued decrease in international prices of tea was resulted to means returns to tea producers. Government has taken steps to venture into untapped markets i.e. Turkey to promote Sri Lankan tea due to the decline in global demand particularly from main tea buyers, such as Russia, Syria, Libya and the Middle East emanating from geo-political uncertainty, economic sanction on Iran and sharp depreciation of their currencies coupled with overall global commodity price declines. The earnings from tea exports also decreased by 14.3 percent to US\$ 683 million in the first six months of 2015, compared to US\$ 797 million in review period of 2014. The average Colombo auction tea prices declined by 14.1 percent to Rs. 400.3 per kg in the first half of 2015, compared to Rs. 466.2 per kg in the same period of 2014. Hence, government committed to safeguard tea producers introducing a guaranteed price of green tea leaf at Rs. 80 per kg in 2015.

Chart 11 : Composition of Agriculture Sector - First Half 2015



Rubber

The rubber sub-sector, which accounted for 4.8 percent of Agriculture sector, registered a negative growth of 17.5 percent in the reference period, compared to a contraction of 2.4 percent recorded in same period of 2014. Declining demand for natural rubber in the international market resulted in abandoning tapping by many small holders coupled with reduction of number of tapping days due to the heavy rains were responsible for this contraction. The total rubber production decreased by 17.4 percent to 50.4 million kg in the first half of 2015, compared to 61 million kg in the same period of 2014. Meanwhile, the average Colombo auction rubber prices of Ribbed Smoked Sheet (RSS) 1 and RSS 2 declined by 14.9 percent to Rs. 255.96 per kg and 13.4 percent to Rs. 301.06, respectively during the first half of 2015. Rubber exports decreased by 53.0 percent to US\$ 14.2 million during the first six months of 2015. However, the declining international prices of rubber opens

avenues for manufacturing of rubber products for export market with value addition.

Coconut and related products

The value-added production of coconut and related products accounted for 10.2 percent of Agriculture sector, grew by 3.0 percent during the first half of 2015, compared to a higher growth of 10.4 percent recorded in 2014. The total coconut production increased by 4.4 percent to 1,489 million nuts in the first half of 2015, compared to 1,426 million nuts in 2014. The Colombo auction coconut prices declined by 15.2 percent to Rs. 32.80 per nut from Rs. 38.70 per nut. In addition, total coconut exports increased by 4.9 percent to US\$ 174.2 million during the review period of 2015. Meanwhile, the export of coconut kernel products increased by 18.9 percent to US\$ 108 million and other coconut products decreased by 9.8 percent to US\$ 66.2 million during the first half of 2015, in comparison to the same period of 2014.

Table 27 : Sectoral Composition of GDP at Constant (2010) Prices (Rs. Million)

Sector	2012	2013	2014	First Half		Growth (%)	
				2014	2015 (a)	2014	2015 (a)
Agriculture, Forestry and Fishing	592,445	611,676	598,042	290,294	299,945	-0.7	3.3
1 Growing of Cereals (except rice)	12,521	14,307	14,040	7,065	7,822	0.3	10.7
2 Growing of Rice	62,289	65,607	53,425	17,702	26,364	-30.1	48.9
3 Growing of Vegetables	51,244	54,153	54,914	27,844	27,843	-1.7	(...)
4 Growing of Sugar Cane, Tobacco and Other Non-perennial Crops	2,254	2,441	2,285	1,137	1,209	-7.6	6.5
5 Growing of Fruits	38,248	37,385	40,880	19,252	19,658	8.7	2.1
6 Growing of Oleaginous Fruits (Coconut, King Coconut, Oil Palm)	62,201	53,424	59,413	29,541	30,422	10.4	3.0
7 Growing of Tea (Green Leaves)	72,100	74,734	73,741	37,898	37,461	-1.0	-1.2
8 Growing of Other Beverage Crops (Coffee, Cocoa etc.)	1,319	1,321	1,457	728	992	10.3	36.1
9 Growing of Spices, Aromatic, Drug and Pharmaceutical Crops	44,426	50,833	52,421	26,042	25,475	-0.3	-2.2
10 Growing of Rubber	44,249	37,987	28,676	17,753	14,655	-2.4	-17.5
11 Growing of Other Perennial Crops	15,167	14,344	14,761	7,314	8,562	2.6	17.1
12 Animal Production	29,511	36,599	27,295	13,260	13,233	-23.3	-0.2
13 Plant Propagation and Support Activities to Agriculture	9,105	9,183	9,421	4,705	4,754	2.4	1.0
14 Forestry and Logging	38,188	43,044	46,608	22,532	23,576	8.9	4.6
15 Marine Fishing and Marine Aquaculture	97,063	103,879	104,636	50,649	52,780	3.2	4.2
16 Fresh Water Fishing and Fresh Water Aquaculture	12,560	12,435	14,069	6,872	5,138	82.5	-25.2
Industries	2,035,600	2,119,080	2,145,131	1,054,083	1,067,677	-4.5	1.3
17 Mining and Quarrying	184,468	198,447	202,845	101,461	95,727	-4.4	-5.7
18 Manufacture of Food, Beverages and Tobacco Products	507,121	507,127	515,209	248,868	265,150	-0.4	6.5
19 Manufacture of Textile, Wearing Apparel and Leather Related products	244,496	264,527	269,636	143,137	144,741	-1.4	1.1
20 Manufacture of Wood and Products of Wood and Cork, except Furniture	23,472	25,258	25,970	12,785	12,499	-13.7	-2.2
21 Manufacture of Paper Products, Printing and Reproduction of Media products	24,738	24,925	24,763	12,270	13,141	-4.8	7.1
22 Manufacture of Coke and	28,858	27,514	29,602	14,924	14,123	6.5	-5.4

	Refined Petroleum Products							
23	Manufacture of Chemical Products and Basic Pharmaceutical Products	75,582	81,982	83,473	41,299	44,498	-0.6	7.7
24	Manufacture of Rubber and Plastic Products	83,307	82,187	79,685	36,008	38,776	-0.4	7.7
25	Manufacture of Other Non-metallic Mineral Products	87,090	81,037	77,101	40,073	36,730	-5.6	-8.3
26	Manufacture of Basic Metals and Fabricated Metal Products	24,591	26,589	26,922	11,682	14,092	8.5	20.6
27	Manufacture of Machinery and Equipment	30,849	30,845	31,445	12,083	14,918	-7.4	23.5
28	Manufacture of Furniture	63,922	67,488	80,989	40,261	42,073	8.9	4.5
29	Other Manufacturing and Repair and Installation of Machinery and Equipment	41,962	44,443	55,636	27,882	29,526	16.9	5.9
30	Electricity, Gas, Steam and Air Conditioning Supply	75,262	76,789	78,636	38,640	40,206	0.3	4.1
31	Water Collection, Treatment and Supply	10,554	10,975	11,475	5,701	5,884	5.7	3.2
32	Sewerage, Waste, Treatment and Disposal Activities	14,572	15,511	17,354	8,453	10,343	9.9	22.4
33	Construction	514,757	553,438	534,391	258,556	245,249	-15.1	-5.1
	Services	4,245,462	4,405,644	4,689,910	2,244,934	2,404,109	4.2	7.1
34	Wholesale and Retail Trade	848,686	859,977	892,696	480,819	508,936	12.8	5.8
35	Transport of Goods and Passenger including Warehousing	805,391	849,539	888,091	377,380	385,532	-8.7	2.2
36	Postal Courier Activities	4,441	4,364	4,055	1,998	2,399	-9.0	20.1
37	Accommodation, Food and Beverage Service Activities	134,160	126,392	131,409	63,859	69,346	-3.6	8.6
38	Programming and Broadcasting Activities and Audio Video Productions	2,252	2,422	2,519	1,229	1,333	-0.6	8.5
39	Telecommunication	26,450	27,395	30,909	15,473	18,217	22.2	17.7
40	IT Programming Consultancy and Related Activities	7,972	9,693	10,597	5,247	5,000	11.6	-4.7
41	Financial Service Activities and Auxiliary Financial Services	364,688	386,009	450,925	219,427	247,381	16.2	12.7
42	Insurance, Reinsurance and Pension Funding	69,026	70,854	72,524	27,333	29,378	2.2	7.5
43	Real Estate Activities,	369,719	417,024	443,880	213,901	248,470	1.9	16.2

	Including Ownership of Dwelling							
44	Professional Services	155,741	161,963	166,420	83,586	73,973	2.9	-11.5
45	Public Administration and Defence; Compulsory Social Security	385,615	382,470	402,192	184,276	198,115	4.9	7.5
46	Education	167,107	157,477	173,529	86,017	82,589	14.7	-4.0
47	Human Health Activities, Residential Care and Social Work Activities	173,898	146,551	147,683	68,439	69,052	7.4	0.9
48	Other Personal Service Activities	730,316	803,514	872,482	415,952	464,386	2.4	11.6
	Gross Value Added (GVA), at basic prices	6,873,506	7,136,399	7,433,083	3,589,312	3,771,731	1.1	5.1
	(+) Taxes less Subsidies on Products	715,011	709,802	762,897	227,709	257,256	3.9	13.0
	Gross Domestic Product(GDP), at market prices	7,588,517	7,846,202	8,195,979	3,817,021	4,028,987	1.3	5.6

Source: Department of Census and Statistics

(a) Provisional

Beverage Crops and Spices

The value addition of beverage crops, such as coffee and cocoa recorded a higher growth of 36.1 percent during the first half of 2015, compared to 10.3 percent growth registered in the same period of 2014. Meanwhile, spices, aromatic, drugs and pharmaceutical crops sub-sector contracted by 2.2 percent in the first half of 2015 as against a negative growth of 0.3 percent recorded in the first half of 2014 due to the unfavourable weather condition prevailed. However, the export earnings from spices increased by 55.3 percent to US\$ 170.8 million during the review period.

Cereals, Fruits and Vegetables

The Cereals, fruits and vegetables sub-sector accounted for 18.4 percent of Agriculture sector, recorded a growth of 2.1 percent in the first half of 2015, compared to 2.0 percent growth registered in the same period of 2014, benefitting

from the expansion of cereals by 10.7 percent and fruits by 2.1 percent.

Marine and Fresh Water Fishing

The fishing sub-sector consisting of marine fishing and fresh water fishing accounted for 19.4 percent of Agriculture sector and 1.4 percent of GDP, grew by 0.7 percent during the first half of 2015, compared to a higher growth of 8.9 percent recorded during the same period in 2014. The marine fishing recorded 4.2 percent growth while contributing 91 percent to the fishery industry in the first half of 2015. Government continued its support to the development of marine fishing by establishing fishery harbours throughout the country, in particular in the Northern and Eastern provinces. In contrast, fresh water fishing and aquaculture contracted by 25.2 percent due to the substantial reduction of the release of fingerlings to the tanks in last months of 2014 and less rainfall in water

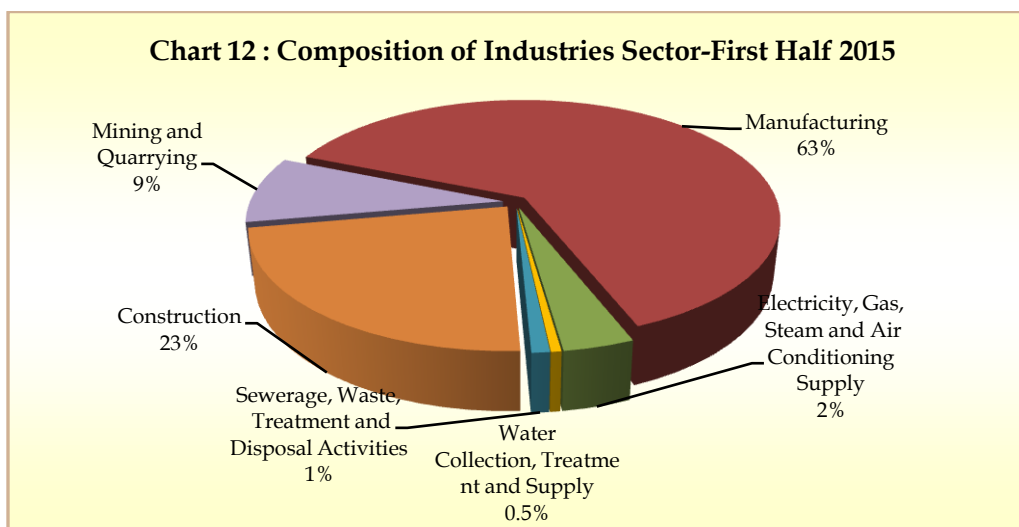
catchment areas were negatively affected to this performance.

Animal Production

The animal production sub-sector consisting of milk, egg and value of slaughtered animals, accounted for 4.4 percent of Agriculture sector, contracted by 0.2 percent during the first half of 2015, compared to a negative growth of 23.3 percent recorded during the same period of 2014. The government implemented several assistance programmes, including better farm gate prices of milk and granting tax concessions towards lowering the cost of production. Guaranteed price of fresh milk was increased by Rs. 10 per litre to Rs. 70 per litre from Rs. 60 per litre in 2015.

5.3 Industry

The Industry sector recorded a renewed growth of 1.3 percent during the first half of 2015, compared to a 4.5 percent contraction in the first half of 2014 with a moderate expansion of all forms of activities except mining and quarrying, manufacturing of wood, refined petroleum products, non-metallic mineral products and construction sub-sectors. During the review period, manufacturing and electricity, gas, water and sewerage sub-sectors increased by 4.5 percent and 6.9 percent, respectively. In contrast, the construction and mining and quarrying sub-sectors contracted by 5.1 percent and 5.7 percent, respectively.



Manufacturing

The manufacturing sub-sector which accounted for 62.7 percent of the Industry sector and 16.6 percent of GDP, grew by 4.5 percent in the reference period, compared to a 0.1 percent contraction recorded in the first half of 2014, mainly driven by higher performance of food,

beverages and tobacco and textile, wearing and apparel sub-sectors.

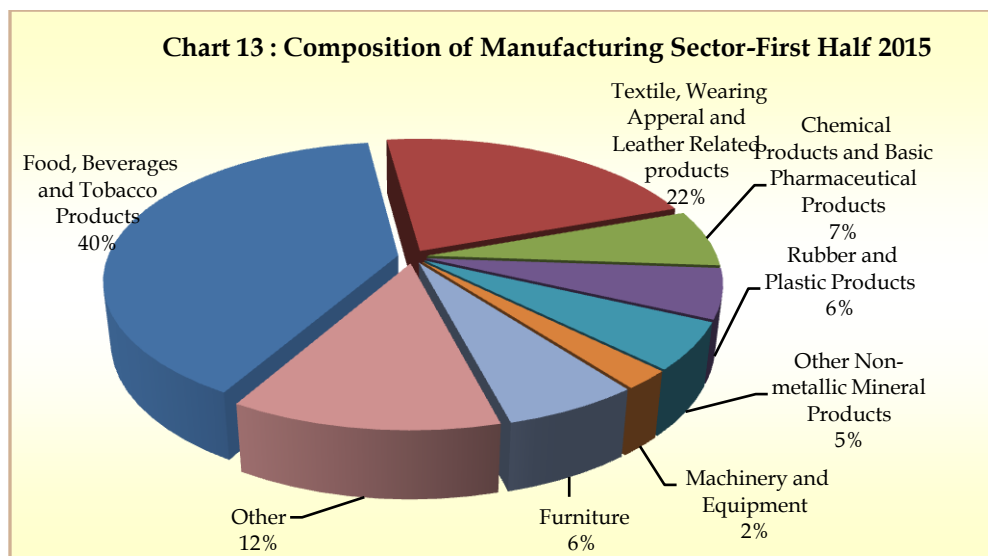
The main contributor to the manufacturing sector i.e. food, beverages and tobacco sub-sector, which accounted for 39.6 percent of manufacturing sector, recorded a growth of 6.5 percent in the first half of 2015, compared to 0.4 percent contraction recorded in the same period of

2014. This was supported by increased domestic production and enhanced demand for imports.

The textile, wearing apparel and leather related products sub-sector, which accounted for 3.6 percent to the GDP and 21.6 percent of the manufacturing sector, recorded a 1.1 percent growth during the first half of 2015, compared to negative growth of 1.4 percent during the corresponding period in 2014. The private sector enthusiasm through product and market diversification amidst the challenges emanated from the uncertainties in major export destinations, increased seasonal demand and new orders placed by the US market, helped rebound the growth of this sector. Meanwhile, machinery and equipment sub-sector, which accounted for 2.2 percent of manufacturing sector, recorded a robust growth of 23.5 percent in 2015,

compared to a negative growth of 7.4 percent in 2014.

The basic metals and fabricated metal products sub-sector, which accounted for 2.1 percent of the manufacturing sub-sector, recorded a higher growth of 20.6 percent, compared to 8.5 percent growth recorded in the first half of 2014. The chemical products and basic pharmaceutical products sub-sector recorded a 7.7 percent growth in the first half of 2015, compared to a negative growth of 0.6 percent during the respective period of 2014. The improvement in chemicals and chemical products could be attributed to the increased output in related industries, such as fertilizer, paint, soap and detergent. Increased production of tyres and tubes for both domestic and export markets contributed to the growth in rubber production in the review period.



Electricity, Gas, Water and Sewerage

The electricity, gas and steam and air-conditioning supply sub-sector recorded 4.1 percent growth, compared to lower growth of 0.3 percent in the same period

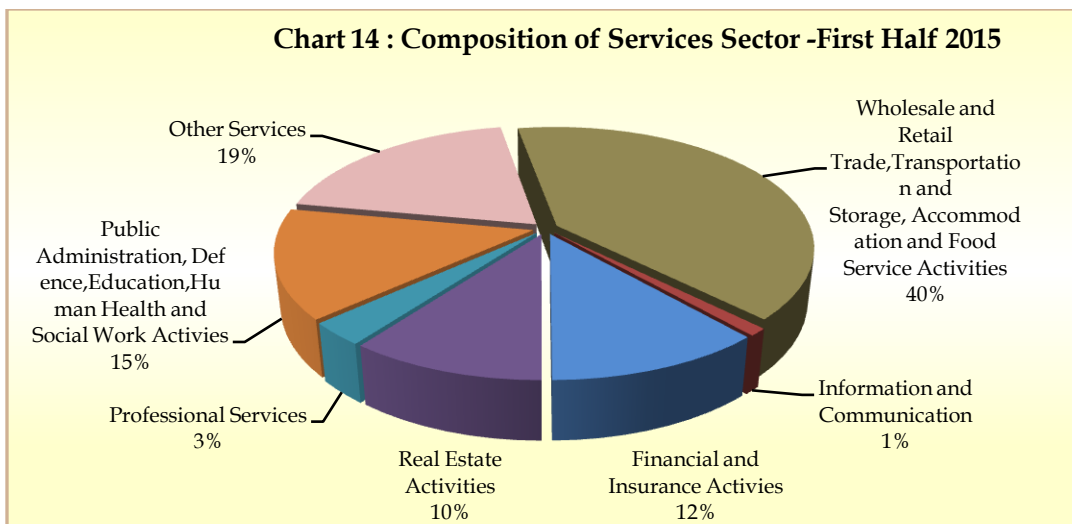
of 2014. This improvement was mainly supported by the increase in hydropower generation during the reference period. Meanwhile, the water collection, treatment and supply sub-sector grew by 3.2 percent in the first half of 2015,

compared to a 5.7 percent growth recorded during the same period of 2014. The sub activity of sewerage, waste, treatment and disposal activities grew by 22.4 percent in the first half of 2015, compared to 9.9 percent growth with same period in year 2014.

5.4 Services

The Services sector contributed to 59.7 percent to GDP in the first half of 2015, with a growth of 7.1 percent, compared to 4.2 percent recorded in the same period of 2014. The wholesale and retail trade sector, which contributed to a major share to the Services sector, grew by 5.8 percent.

In addition, the transport and real estate activities, financial services and public administration sub-sectors expanded considerably in the reference period. The accommodation, food and beverage sub-sector recorded a higher growth of 8.6 percent in first half of 2015, compared to 3.6 percent contraction recorded in the same period of 2014, while postal and courier activities sub-sector grew by 20.1 percent, compared to 9.0 percent contraction in first half of 2014. The improvement in the domestic trade activities emanated from improved demand and prevailing peaceful environment of the country helped expand the Services sector.



Wholesale and Retail Trade

The wholesale and retail trade sub-sector, which accounted for 21.2 percent to the Services sector and 12.6 percent to GDP, recorded a moderate growth of 5.8 percent in the first half of 2015, compared to 12.8 percent growth recorded in the

same period of 2014 with increased domestic demand supported by low interest rates regime and continued enhanced income of the people. The value added wholesale and retail trade activity was affected by fluctuations in total imports and total domestic agricultural and industrial production.

Table 28 : Selected Indicators of Services Sector

Indicator	2011	2012	2013	2014	2014	2015
					Jan-Aug	Jan-Aug (a)
Port Services						
Vessels Arrived (No)	4,358	4,178	4,024	4,298	2,787	3,134
Total Cargo Handled (MT '000)	65,097	65,030	66,292	74,431	49,393	51,047
Total Container Handled (TEUs '000)	4,263	4,187	4,306	4,908	3,240	3,438
Transshipment (TEUs '000)	3,216	3,167	3,274	3,781	2,454	2,591
Telecommunication Sector					Jan-Jun	Jan-Jun (a)
Fixed Telephone Lines (No.'000) *	3,608	3,449	2,707	2,679	2,696	2,677
Cellular Phones (No.'000)	18,319	20,324	20,315	22,123	21,012	24,235
Wireless Phones (No.'000)	2,667	2,450	1,645	1,556	1,604	1,551
Internet and E-mail Subscribers (No. '000)	845	1366	2,010	3,383	2,788	3,641
Health Sector					Jan-Jun	Jan-Jun (a)
Private Hospitals	186	197	206	210	210	217
Public Hospitals	592	593	603	601	601	601
No. of Beds (Government)	69,731	73,437	74,636	76,918	76,918	76,781
No. of Doctors (Government)	18,299	18,252	19,672	21,331	17,903	18,792
No. of Nurses (Government)	29,234	30,217	30,928	31,964	31,964	32,225
Financial Sector					Jan-Aug	Jan-Aug (a)
Bank Branches and Other Outlets	6,184	6,374	6,487	6,554	6,565	6,593
Credit Cards in Use	862,352	891,170	951,625	1,032,833	973,979 (b)	1,084,019 (b)
Registered Finance Companies	39	47	48	48	48	47
Registered Leasing Companies	16	13	10	8	9	7
Tourism Sector					Jan-Sep	Jan-Sep (a)
Tourist Arrivals	855,975	1,005,605	1,274,593	1,527,153	1,107,178	1,315,839
Tourist Earnings (US \$ million)	830	1,039	1,715	2,431	1,763	2,095
Room Occupancy Rate	77.1	71.2	71.7	74.3	66.4 (c)	n.a.
Transport Services (New Registration)					Jan-Sep	Jan-Sep (a)
Buses	4,248	3,095	1,805	3,851	2,031	3,264
Cars	57,886	31,546	28,380	38,780	24,982	74,966
Lorries **	14,818	12,266	5,872	5,121	3,648	5,459
Motor Cycles	253,331	192,284	169,280	272,885	160,890	273,691
Three Wheelers	138,426	98,815	83,673	79,038	57,202	96,987
Tractors and Trailers	23,194	21,892	13,038	9,082	5,978	7,823

Source: Central Bank of Sri Lanka

(a) Provisional

(b) End June

(c) End August

* This includes the number of wireless phones

** This includes the number of special purpose vehicles

Table 29 : Performance of Tourism Sector

Month	Tourist Arrivals				Tourist Earnings (US\$ Million.)			
	2012	2013	2014	2015 (a)	2012	2013	2014	2015 (a)
January	85,874	110,543	146,575	156,246	88.5	148.8	233.3	248.7
February	83,549	113,968	141,878	165,541	86.1	153.4	225.9	263.5
March	91,102	113,208	133,048	157,051	93.8	152.4	211.8	250.0
April	69,591	80,737	112,631	122,217	71.7	108.7	179.3	194.6
May	57,506	74,838	90,046	113,529	59.3	100.7	143.3	180.7
June	65,245	90,279	103,175	115,467	60.6	121.5	164.2	183.8
July	90,338	107,016	133,971	175,804	100.5	144.0	213.3	279.9
August	79,456	123,269	140,319	166,610	81.4	165.9	223.4	265.2
September	71,111	90,339	105,535	143,374	69.3	121.6	168.0	228.2
October	80,379	107,058	121,576		79.4	144.1	193.5	
November	109,202	109,420	119,727		114.8	147.3	190.6	
December	122,252	153,918	178,672		133.4	207.2	284.4	
Total	1,005,605	1,274,593	1,527,153	1,315,839	1,038.8	1,715.6	2,431.1	2,094.6

Source: Sri Lanka Tourism Development Authority

(a) Provisional

Transportation of Goods and Passengers including Warehousing

The transportation sub-sector, which accounted for 16.0 percent to the Services sector and 9.6 percent to GDP, recorded a 2.2 percent growth in the first half of 2015, in comparison to 8.7 percent contraction in the same period of 2014.

The transport sector was expanded by increased importation of vehicles. The total registration of new vehicles increased by 92.4 percent during January to June 2015. New registration of buses, cars and motor bicycles rose by 116.5 percent, 188.3 percent and 88.9 percent, respectively while new registration of three wheelers, goods transportation vehicles (lorries and other goods transport vehicles) and land vehicles (tractors, hand tractors and other land vehicles) increased by 71.6 percent, 58.3 percent and 28.5 percent, respectively. This was mainly due to the reduction of taxes on motor

vehicles coupled with the full leasing facilities offered by the leasing companies in a lower interest rate regime.

In terms of cargo handling, total number of vessels arrived increased by 13.3 percent to 2,316 during the first six months of 2015, reflecting the improvement in international trade activities as well as expansion of capacities in Sri Lankan port services. The amount of transshipments handled increased by 5.1 percent to 1.9 million TEUs while the total container and total cargo handling also increased by 6.4 percent to 2.5 million TEUs and 4.4 percent to 37.3 million MT in the first six months of 2015.

The continuation of construction projects such as, Matara- Beliatta-Kataragama new rail line, Omanthai -Pallai rail line, Madu-Thalaimannar rail line, Pallai-Kankasanthurai rail line and installation of new railway signaling and telecommunication system from

Anuradhapura-Thalaimannar-Kankasanthurai helped expand the transport related activities.

Accommodation Food and Beverages

The accommodation, food and beverages sub-sector, which accounted for 1.7 percent to GDP and 2.9 percent to the Services sector, recorded a significant growth of 8.6 percent in the first half of 2015, in comparison to 3.6 percent contraction recorded in the same period in 2014.

The increased tourist arrivals by 14.1 percent to 830,051 and resultant increase in tourist earnings to US\$ 1,321 million helped expand the sector. The continued revival in the tourism industry as a result of the peace dividend, the government's policy towards creating Sri Lanka as an attractive tourist destination, increased local tourism driven by the rise in domestic income levels coupled with the enhanced private sector investment in hotels and restaurants provided an impetus for this sector.

Telecommunication, Postal and Courier Activities

The telecommunication sub-sector, which contributed to 0.8 percent of Services sector, recorded 17.7 percent moderate growth in the first half of 2015, compared to 22.2 percent growth recorded in the same period of 2014. The growth was mainly supported by the increase cellular phone connections by 15.3 percent to 24.2 million in the first half of 2015, compared to the same period of 2014. However, the drop in fixed line telephone connections by 1.0 percent to 2.7 million and wireless connections by 3.3 percent to 1.5 million slowed down the growth. Meanwhile, the

internet and e-mail subscribers also increased by an impressive rate of 30.6 percent to 3.64 million during this period. The growth momentum in internet penetration is likely to continue in the next few years mainly benefiting from tax concessions provided to the sector, the enhancement in the usage of computers and the government policy towards improving computer literacy and the accessibility throughout the country. In addition, the postal and courier activities sub-sector, which contributed for 0.1 percent of Services sector recorded a significant growth of 20.1 percent during the review period in 2015, compared to 9.0 percent contraction recorded during the same period of 2014.

Financial and Auxiliary Financial Services

The financial services activities and auxiliary financial services sub-sector, which accounted for 10.3 percent to the Services sector and 6.1 percent share to GDP, recorded a 12.7 percent growth during the first half of 2015, compared to 16.2 percent growth recorded during the same period in 2014. As such, the number of bank branches and other outlets increased to 6,582 by end June 2015 and the number of credit cards in use also increased by 11.3 percent to 1,083,977 by end June 2015.

Real Estate, Professional Services and Public Administration

The ownership of dwelling and real estate sub-sector, which accounted for 10.3 percent to Services sector and 6.2 percent to GDP, recorded a higher growth of 16.2 percent in the first half of 2015, compared to 1.9 percent growth recorded in the

same period of 2014. Meanwhile, professional services sub-sector, such as legal and accounting accounted for 3.1 percent to the Services sector and 1.8 percent to the GDP and recorded a contraction of 11.5 percent in the first half of 2015, compared to 2.9 percent growth

recorded in the reference period of 2014. Meanwhile, the public administration and defence sub-sector which accounted for 8.2 percent to the Services sector and 4.9 percent of the GDP, recorded a high growth of 7.5 percent in the first half of 2015, compared to 4.9 percent growth recorded in the review period of 2014.

Table 30: Sectoral Distribution of GDP Growth (%)

Sector	2011	2012	2013	2014	First Half	
					2014	2015 (a)
Agriculture	4.6	3.9	3.2	-2.2	-0.7	3.3
Growing of Tea	-0.6	0.5	3.7	-1.3	-1.0	-1.2
Growing of Rice	16.8	-11.3	5.3	-18.6	-30.1	48.9
Growing of Rubber	3.5	-3.7	-14.2	-24.5	-2.4	-17.5
Growing of Cereal	0.4	18.2	14.3	-1.9	0.3	10.7
Growing of Vegetables	9.7	-2.1	5.7	1.4	-1.7	(...)
Animal Production	-3.2	12.0	24.0	-25.4	-23.3	-0.2
Forestry and Logging	-1.9	-10.2	12.7	8.3	8.9	4.6
Fishing	15.3	8.9	6.1	2.1	8.9	0.7
Industry	9.3	9.0	4.1	1.2	-4.5	1.3
Mining and Quarrying	18.6	24.6	7.6	2.2	-4.4	-5.7
Manufacturing Activities	3.5	3.2	2.3	2.9	-0.1	4.5
Other Industries	7.1	4.7	2.9	4.1	2.3	6.9
Construction	26.3	21.2	7.5	-3.4	-15.1	-5.1
Services	8.9	11.2	3.8	6.5	4.2	7.1
Wholesale and Retail Trade	11.7	7.7	1.3	3.8	12.8	5.8
Transportation and Storage	12.6	8.0	5.4	4.5	-8.7	2.3
Accommodation and Food Service Activities	20.2	27.3	-5.8	4.0	-3.6	8.6
Information and Communication	6.8	8.5	7.7	11.4	18.0	11.8
Financial and Insurance Activities	11.5	13.5	5.3	14.6	14.5	12.2
Real Estate Activities	6.8	12.7	12.8	6.4	1.9	16.2
Professional Services	13.6	22.3	4.0	2.8	2.9	-11.5
Education, Human Health and Social Work Activities	6.2	16.7	-10.8	5.7	11.4	-1.8
Public Administration and Defence	-4.4	5.0	-0.8	5.2	4.9	7.5
Other Services (Excluding Own-services)	8.6	13.6	10.0	8.6	2.4	11.6
GDP	8.4	9.1	3.4	4.5	1.3	5.6

Source: Department of Census and Statistics

(a) Provisional

Education, Health and Other Personal Services

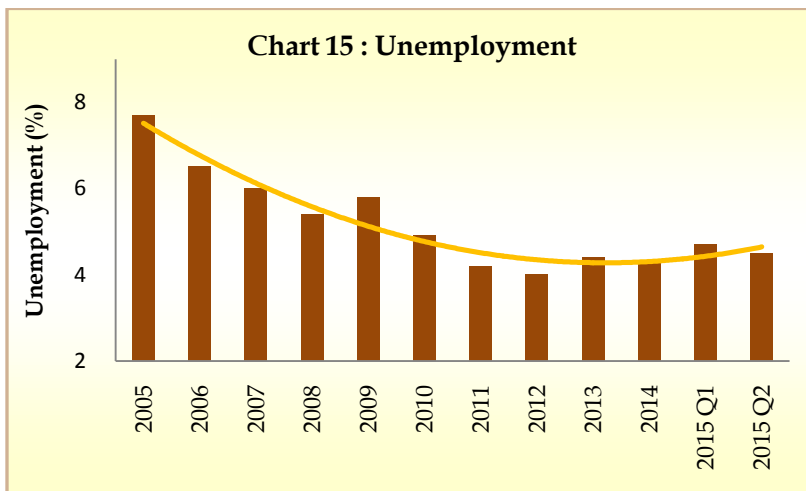
The education sub-sector which accounted for 2.0 percent to GDP contracted by 4.0 percent in the period under review, compared to 14.7 percent growth recorded in the same period of 2014 while health care and social work activities grew by 0.9 percent in the reference period. Meanwhile, other personal services activities, such as personal grooming, funeral services and computer repairs, which accounted for 11.5 percent to GDP and 19.3 percent to the Services sector, expanded by 11.6 percent in the first half of 2015, compared to slower growth of 2.4 percent in the same period of 2015.

5.5 Unemployment

The employment level remained at 95.4 percent in the first half of 2015, compared

to the same period of 2014. Consequently, the unemployment rate remained at 4.6 percent in the first half of 2015, yielding the benefits from the increased employment opportunities in many sectors, such as construction, and public and private investment in the infrastructure in economic activities.

However, unemployment rate among age group of 20-24 recorded high at 20.8 percent in the first half of 2015, compared to 18.9 percent in the same period of 2014. In terms of educational level, unemployment by Advanced Level and above education increased to 9.3 percent in the first half of 2015, from 7.8 percent in same period of 2014. In addition, female unemployment rate increased to 7.5 percent while the male unemployment dropped to 2.9 percent in comparison with same period of 2014.



5.6 Monetary Sector Developments

The relaxed monetary policy stance adopted by the Central Bank since end 2012 further continued in the first ten months of 2015, benefiting from lower inflationary environment and well-contained inflation expectations to ensure

macroeconomic stability. Given signs of sustained increase in credit flows to the private sector, the Central Bank removed the restriction placed on the access to its Standing Deposit Facility (SDF) by Open Market Operations (OMOs) participants with effect from 02nd March 2015.

Following this, the overnight interest rates moved upwards and settled within closer to the lower bound of the policy rate corridor.

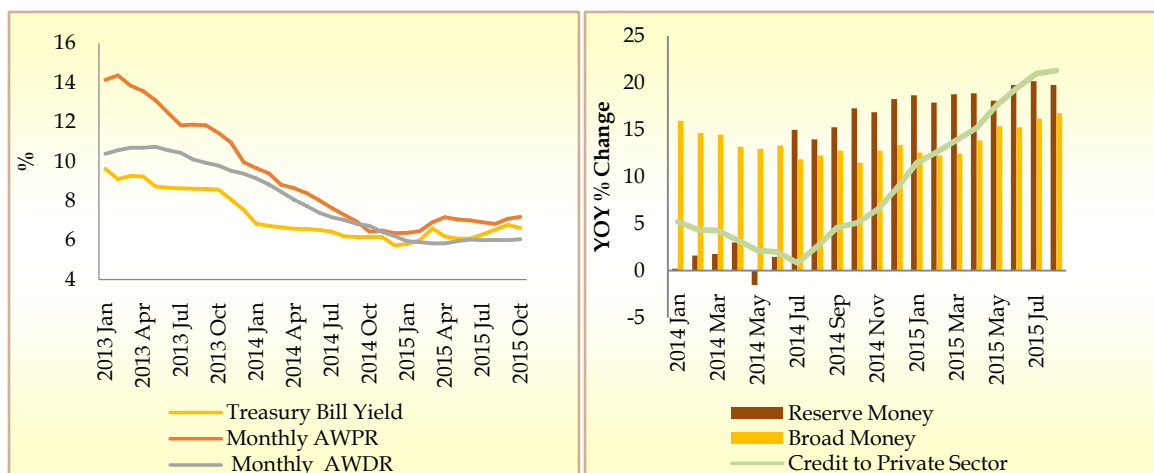
Meanwhile, the Standing Deposit Facility Rate (SDFR) and Standing Lending Facility Rate (SLFR) reduced to 6.00 percent and 7.50 percent, respectively. This policy measure was taken to address concerns over the behaviour of market interest rate in consistent with falling inflation and investment needs for economic activity.

Despite some upward movements in certain market segments, interest rates continued its declining trend during the first ten months of 2015 with the relaxed monetary policy stance of the Central Bank and high excess liquidity in domestic money market supported by low inflation expectations. The Average Weighted Call Money Rate (AWCMR) increased by 12 basis points to 6.33 percent and Average Weighted Prime Lending Rate (AWPR) increased by 69 basis points from end December 2014 to end October 2015. The yield rates

pertaining to Treasury bills of 91 days, 181 days and 365 days increased by 87, 115 and 106 basis points, respectively during the first ten months of 2015. The Average Weighted Deposit Rate (AWDR) decreased by 15 basis points and the Average Weighted Fixed Deposit Rate (AWFDR) stationed at 7.33 percent by end October 2015. Meanwhile, the Average Weighted Lending Rate (AWLR) declined by 88 basis points to 11.03 percent by end September 2015.

Reflecting the developments in domestic credit, broad money (M_{2b}) increased by 16.8 percent, on year on year basis, in August 2015 remaining well within the underlying monetary projections. As expected, a sustained increase in credit granted to private sector by commercial banks was observed from the latter part of 2014. This was mainly supported by prevailing low interest rate regime amidst low inflation environment. Accordingly, the credit to private sector grew by 21.3 percent, on year-on-year basis, recording an overall increase of Rs. 3,069 billion by end August 2015.

Chart 16 :Yield Rates, Monetary Aggregates and Private Sector Credit Growth



5.7 Inflation

The year-on-year inflation, as measured by the Colombo Consumer Price Index (CCPI) (2006/07=100) turned into a deflation since July 2015 and recorded a -0.3 percent by the end of September, which is the lowest level recorded since February 2004. This lower level inflation

was supported by the prudent policies adopted by the Central Bank and government, well-contained inflation targeting, moderation in price of both food and non-food imported items and downward revisions of LP gas and fuel prices benefiting from the plunge in international commodity prices.

Table 31 : Headline Inflation, Core Inflation and Food Inflation (Base: 2006/07=100)

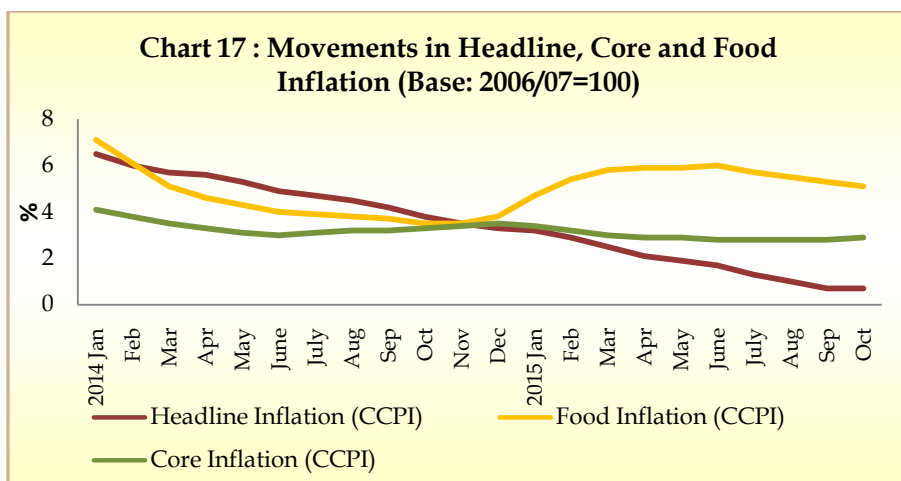
Month	HEADLINE INFLATION (%)				CORE INFLATION* (%)				FOOD INFLATION (%)			
	YoY		Annual Average		YoY		Annual Average		YoY		Annual Average	
	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015
January	4.4	3.2	6.5	3.2	3.5	2.1	4.1	3.4	1.3	12.0	7.1	4.7
February	4.2	0.6	6.0	2.9	3.1	0.8	3.8	3.2	0.9	9.5	6.1	5.4
March	4.2	0.1	5.7	2.5	3.4	1.4	3.5	3.0	1.2	6.3	5.1	5.8
April	4.9	0.1	5.6	2.1	3.4	2.4	3.3	2.9	3.4	4.3	4.6	5.9
May	3.2	0.2	5.3	1.9	3.3	2.6	3.1	2.9	4.0	4.6	4.3	5.9
June	2.8	0.1	4.9	1.7	3.5	2.8	3.0	2.8	3.1	4.0	4.0	6.0
July	3.6	-0.2	4.7	1.3	3.7	3.5	3.1	2.8	5.1	2.5	3.9	5.7
August	3.5	-0.2	4.5	1.0	3.9	3.9	3.2	2.8	4.8	2.2	3.8	5.5
September	3.5	-0.3	4.2	0.7	3.7	4.2	3.2	2.8	4.8	2.0	3.7	5.3
October	1.6	1.7	3.8	0.7	3.6	4.4	3.3	2.9	4.6	2.7	3.5	5.1
November	1.5		3.5		3.6		3.4		4.9		3.5	
December	2.1		3.3		3.2		3.5		7.0		3.8	

Source: Department of Census and Statistics

*CCPI Core Inflation - Excluding Fresh Food, Energy, Transport, Rice and Coconut

The year-on-year headline inflation dropped significantly from January to February 2015 with the downward revision of fuel prices conducted in January 2015 and the reduction of prices of essential commodities by removing applicable taxes. The CCPI further declined in March to 0.1 percent and remained unchanged up until April. The CCPI marginally increased to 0.2 percent, on a year-on-year basis, in May 2015 mainly due to the increase in food prices during the month. However, it dropped to 0.1 percent in June and ended with

deflation from July to September 2015. The core inflation, which indicates the underlying inflation in the economy, increased to 4.2 percent in September 2015 from 3.9 percent in August 2015, on a year-on-year basis, while the annual average core inflation remained unchanged for four consecutive months at 2.8 percent from June to September 2015. In contrast, the headline inflation, on year - on - year basis, increased to 1.7 percent in October 2015 due to the price increase in food items such as rice, fish, potatoes and red onion.



5.8 Stock Market

The performance of the Colombo Stock Exchange (CSE) remained subdued during major part of 2015. The All Share Price Index (ASPI), a major stock market index which tracks the performance of all companies listed in CSE, declined by 2.8 percent and closed at 7,051 points by end September 2015, compared to the 7,252 points recorded by end September 2014. The more sensitive S&P SL 20 Index reached 3,826 points, recording a 5.3 percent drop during the period under review, compared to the same period of 2014. Meanwhile, the market capitalization of the CSE decreased by 2.5 percent and

reached Rs. 2,991 billion by end September 2015. During the first nine months of 2015, the total equity turnover amounted to Rs. 198,550 million, a decline of 16.1 percent, compared to the same period of 2014. The cumulative values of foreign purchases and foreign sales were amounted to Rs. 57,837 million and Rs. 61,753 million, respectively in the first nine months of 2015, a resultant of net outflow of Rs. 3,916 million reflecting a disinvestment of short-term foreign investments from emerging markets to the US.

Table 32 : Movements in the Capital Market

Indicators	2010	2011	2012	2013	2014	End September	
						2014	2015
All Share Price Index (1985=100)	6,636	6,074	5,643	5,913	7,299	7,252	7,051
Milanka Price Index/ S&P SL 20 Index*	7,061	5,229	5,119	3,264	4,089	4,038	3,826
Market Capitalization (Rs. Bn.)	2,210	2,214	2,168	2,460	3,105	3,066	2,991
No. of Listed Companies in Trading	242	272	287	289	294	293	296
Annual Turnover (Rs.Bn.)	570	546	214	200	341	237	199
Foreign Sales (Rs. Million.)	118,761	68,854	33,972	60,873	83,554	68,055	61,753
Foreign Purchases (Rs. Million)	92,426	49,875	72,653	83,657	104,771	74,194	57,837
Net Purchases (Rs. Million)	-26,335	-18,979	38,681	22,784	22,217	6,139	-3,916

Sources: Colombo Stock Exchange and Central Bank of Sri Lanka

* with effect from June 2012 Milanka Price Index has been replaced by S&P SL 20 Index

5.9 External Sector Developments

The external sector indicated a modest performance during the first eight months of 2015 with an expansion of trade deficit by 5 percent to US\$ 5,412 million, compared to the same period of 2014 coupled with a significant increase of tourist earnings by 17.1 percent to US\$ 1,866 million and workers' remittances by nearly 2 percent to US\$ 4,598 million. This has resulted in a deficit of US\$ 1,795 million in the overall Balance of Payments (BOP) in the reference period, compared to a surplus of US\$ 2,150 million recorded in the same period of 2014. However, the total exports contracted by 3.4 percent to US\$ 7,147 million while the imports increased by US\$ 4 million in the reference period of 2015. Earnings from exports declined due to the decreases in all major categories of exports except coconut, spices, transport equipment and petroleum products. Earnings from tea, textiles, garments and rubber products fell due to the decline in global demand stemming from geo-political uncertainty in Russia and the Middle East, depreciation of their currencies and global financial and economic uncertainty particularly in the Euro countries. Meanwhile, expenditure on imports increased by US\$ 4 million due to the reduction of intermediate goods imports by 17.3 percent mainly due to the significant decline in international oil prices. However, there was a considerable expansion in import expenditure on consumer and investment goods by 37.3 percent and 19.4 percent, respectively.

As at end August 2015, the gross official reserves of Sri Lanka remained at US\$ 6.5 billion, which is equivalent to four months of imports and total foreign assets of US\$

8.2 billion was equivalent to 5.1 months of imports. Meanwhile, the Central Bank has decided to accommodate greater flexibility in the determination of the exchange rate since 04th September 2015. As a result, Sri Lanka rupee depreciated as against the US\$ in 2015 and it is expected to strengthen the gross official reserves and the trade account during the year with stabilization of exchange rate.

However, government securities market recorded a net outflow of US\$ 920 million in foreign investment during January to September 2015, compared to net inflow of US\$ 100 million in the same period of 2014. The Colombo Stock Exchange (CSE) recorded a net inflow of US\$ 7.8 million in the reference period, in comparison to a net inflow of US\$ 56.7 million recorded in the same period of 2014 reflecting the investor sentiment of possible interest rate increase in the US.

Exports

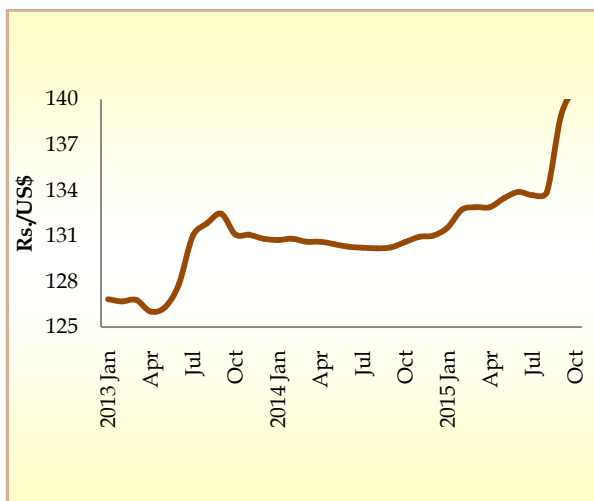
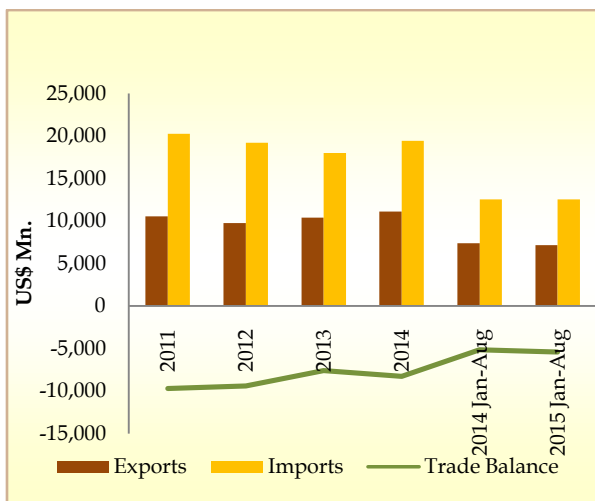
Earnings from exports contracted by 3.4 percent to US\$ 7,147 million in January to August 2015, with a decrease in all major exports categories with the exception of coconuts, transport equipment and petroleum products, compared to US\$ 7,399 million in the corresponding period of 2014. This was mainly due to the decline in export earnings from tea, textile and garments, and rubber products.

In terms of Agricultural exports, earnings from tea exports decreased by 16.8 percent to US\$ 901 million in the first eight months of 2015, compared to the same period of 2014 due to a combined effect of lower export volumes and values mainly to Russia and the Middle East. Meanwhile, earnings of sea food declined

by 36.2 percent to US\$ 112.5 million in the review period due to the decline such exports to the EU countries. However, earnings from coconuts and spices exports

increased by 1.8 percent to US\$ 238.0 million and by 54.8 percent to US\$ 249.3 million, respectively in the review period.

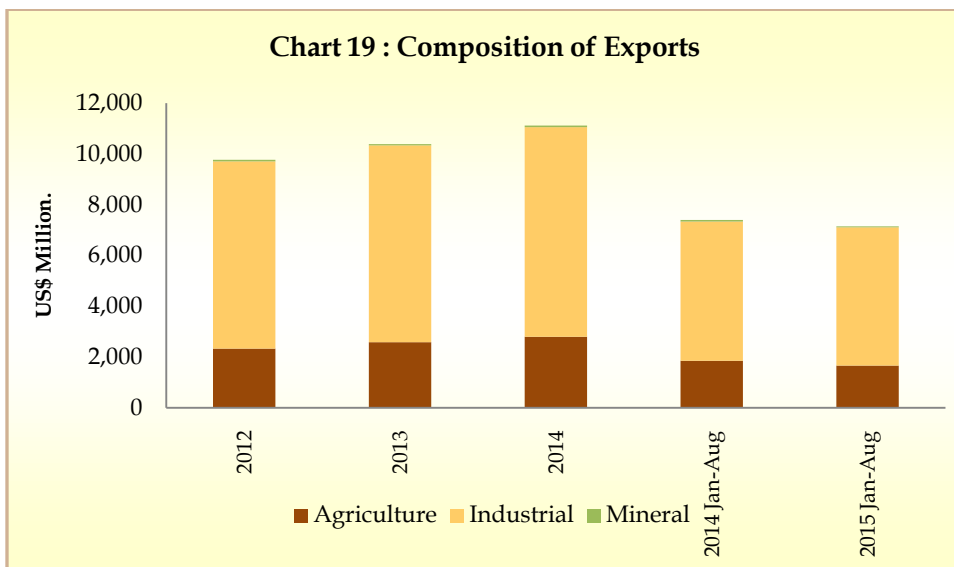
Chart 18 : Trade Balance and Exchange Rate Movements



In terms of industrial exports, export earnings from textiles and garments, which accounted for 45 percent of total exports, declined by 1.1 percent to US\$ 3,219 million reflecting a drop in exports to the EU countries. Meanwhile, exports earnings from rubber products dropped by 12.4 percent to US\$ 525 million due to the decline rubber tyres exports. Earnings

from transport equipment significantly declined by 123.2 percent to US\$ 220 million mainly reflecting the base effect due to the exports of a cruise ship in 2014. Export earnings from gem, diamond and jewellery, machinery and mechanical appliances declined whereas export earnings from petroleum products increased in the reference period.

Chart 19 : Composition of Exports



Imports

Import expenditure increased by US\$ 4 million to US\$ 12,559 million in the first eight months of 2015, compared to the same period of 2014 mainly due to the 89.9 percent significant increase in imports of the motor vehicles for personal usage to US\$ 905 million and a 12.9 percent expansion of food and beverages imports to US\$ 1,124 million coupled with increased transport equipment by 117.7 percent to US\$ 676 million emanating from the increase expenditure on auto-trishaw and tractors in the reference period. However, expenditure on fuel significantly dropped by 48.1 percent to US\$ 1,789 million due to the plunge in

international oil prices whereas import expenditure on textile and textile articles marginally increased by 5.3 percent to US\$ 1,547 million due to the moderate demand arising from the EU countries for textiles and garments in the review period. During the reference period, import expenditure on cereals, medical and pharmaceutical items, chemical products, plastic, rubber, machinery and equipment increased whereas imports expenditure on sugar, dairy products, wheat and maize declined. The main import destinations for Sri Lanka were India, China, Japan, the USA and Singapore contributing to 61 percent of total imports.

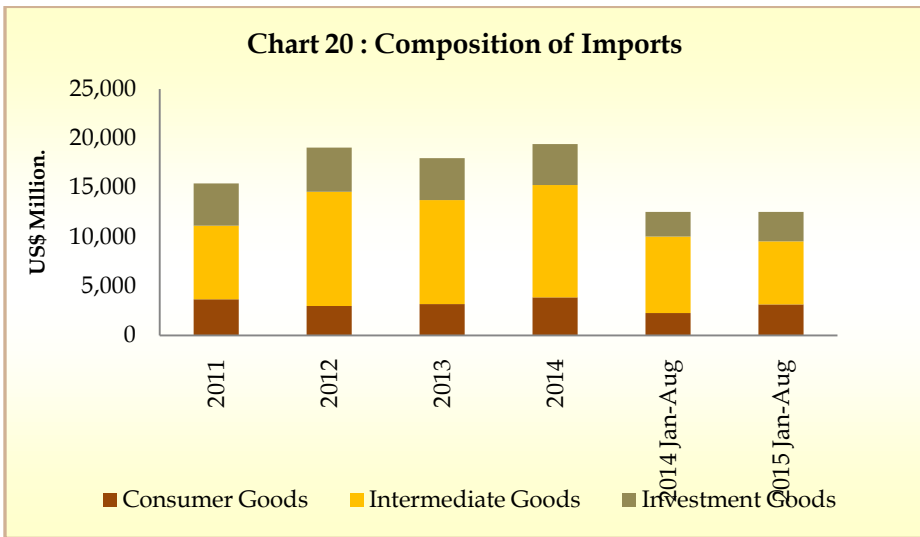


Table 33 : External Trade*(US\$ Million)*

Category	2012	2013	2014	Jan. - Aug.	
				2014	2015 (a)
Exports	9,774	10,394	11,130	7,399	7,147
Agricultural Exports	2,332	2,581	2,794	1,848	1,668
Tea	1,412	1,542	1,628	1,083	901
Other Agricultural Products	920	1,039	1,166	765	767
Industrial Exports	7,371	7,749	8,262	5,492	5,446
Textile and Garments	3,991	4,508	4,930	3,256	3,219
Food, Beverages and Tobacco	284	235	289	195	174
Rubber Products	859	888	890	599	525
Machinery and Mechanical Appliances	297	312	343	225	197
Petroleum Products	463	428	338	238	289
Other Industrial Exports	1,477	1,378	1,472	980	1,042
Mineral Exports	61	52	59	50	22
Unclassified	10	12	15	9	10
Imports	19,190	18,002	19,417	12,555	12,559
Consumer Goods	2,995	3,182	3,854	2,288	3,142
Food and Beverages	1,304	1,368	1,634	996	1,124
Other Consumer Goods	1,691	1,814	2,220	1,293	2,018
Intermediate Goods	11,578	10,554	11,398	7,739	6,397
Petroleum	5,045	4,308	4,597	3,449	1,789
Textiles and Garments	2,266	2,046	2,328	1,470	1,547
Wheat and Maize	364	323	405	268	214
Other	3,903	3,877	4,068	2,553	2,847
Investment Goods	4,590	4,253	4,152	2,519	3,007
Machinery and Equipment	2,356	2,222	2,131	1,369	1,483
Building Material	1,237	1,357	1,309	837	845
Transport Equipment	992	668	707	311	676
Other	5	6	5	2	3
Unclassified	28	14	14	9	12
Trade Deficit	-9,416	-7,608	-8,287	-5,156	-5,412

*Source: Central Bank of Sri Lanka**(a) Provisional*

Earnings from Tourism and Workers' Remittances

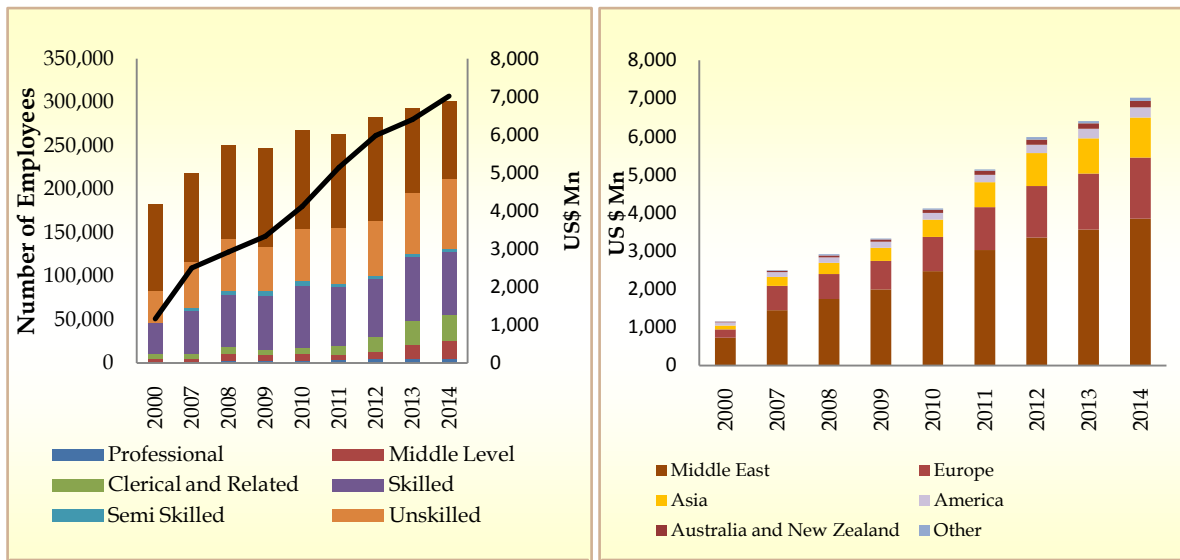
Earnings from tourism rose by 17.1 percent to US\$ 1,866 million and workers' remittances increased marginally by 1.8

percent to US\$ 4,598 million in the reference period. The robust growth in tourist arrival continued in the reference period with 1.2 million tourist arrivals (1,172,465 tourists), a growth of 17.1 percent over the same period of 2014.

Workers' remittances, which is a stable source of foreign exchange earnings of Sri Lanka, reached US\$ 4,598 million with a growth of 1.8 percent over the same period of 2014. The remittances helped meet 36.6 percent of total import

expenditure. The government has identified the importance of sending skilled labour by providing skill-enhancement, training and seeking high wage earning foreign employment opportunities.

Chart 21: Workers' Remittances by Amount, Type of Employment and Originating Country



6. GLOBAL ECONOMIC TRENDS

6.1 World Economic Growth⁵

The growth prospects for 2015 remain moderate and uneven across borders. World economic growth is anticipated at 3.1 percent for 2015 and 3.6 percent for 2016, according to the forecasts in the October 2015 World Economic Outlook (WEO) Update, the International Monetary Fund (IMF). The projection for 2015 is 0.3 percentage point below the growth achieved in 2014 stemming mainly from the moderate recovery in advanced economies, such as the United States (US) and the United Kingdom (UK), increased financial market volatility following the depreciation of the Chinese Renminbi, the plunge in commodity prices and declining capital flows to the emerging and developing countries coupled with geo-political instability particularly, in Russia and the Middle East.

Advanced economies are expected to grow at 2.0 percent in 2015 and 2.2 percent in 2016, compared to growth of 1.8 percent recorded in 2014, reflecting recovery in the US, expanded economy in Japan and the Euro economies. However, advanced economies with commodity exporters, such as Australia, Canada and Norway are in severe trade deficit. Meanwhile, the growth in emerging and developing countries is expected to slow down to 4.0 percent in 2015, compared to 4.6 percent in 2014, while the growth for 2016 is projected to reach 4.5 percent. China's economic growth is expected to slow down to 6.8 percent in 2015 whereas

India's growth is projected to expand by 7.3 percent in 2015.

Meanwhile, growth in the Philippines, Thailand and Vietnam is projected to pick up this year. However, growth in Malaysia and Thailand is expected to slow down. This mixed performance in the ASEAN-5 economies is a combined effect of a moderate growth in China, a slowdown in oil exporting countries and the decline in the commodity prices of such products exporting countries. Growth in low-income countries, which is expected to decline to 4.8 per cent in 2015, in comparison to 6.0 percent achieved in 2014, was adversely affected by the drop in commodity prices, moderate growth in the world economy coupled with global financial turmoil. Amidst the slowdown, growth prospects in 2016 is positive, benefiting from growth forecasts for emerging and developing countries, with increased expected growth in Latin America, Russia and the Middle East followed by increased expectations for China and India.

6.2 Inflation

Deflation remains a threat for advanced economies and also some part of Asia, reflecting the decline in fuel prices and other commodities, such as steel and iron ore. Meanwhile, core inflation remains unchanged during the first nine months of 2015, but was below Central Banks' targeted level of inflation. However, inflation in advanced economies is expected to increase in 2016. Food and oil prices continued to exert downward pressure on inflation in many emerging market economies and inflation is

⁵ This chapter is based on various reports such as the World Economic Outlook (October 2015) and Fiscal Monitor (October 2015) published by IMF

expected to be 4.2 percent in 2015 in such countries, compared to 4.5 percent in 2014 except Venezuela and Ukraine.

In the Euro economies, inflation is expected to record 0.2 percent in 2015 and increase to 1.0 percent in 2016 due to the modest economic recovery. Meanwhile, inflation in advanced countries is expected to remain well below their targets and emerging economies are expected to record lower inflation. Inflation in Japan is expected to rise

whereas the US inflation is anticipated a decline to 0.1 percent as against 2 percent expectation in the long-term. China's inflation is projected to be 1.5 percent and inflation in India is expected to decline, benefiting from the fall in global oil and commodity prices. In contrast, reflecting the depreciation of respective currencies, inflation in Russia and Turkey is expected to rise to 16 percent and 7.5 percent, respectively in 2015.

Table 34 : Key Indicators of World Economy - 2015 (Projection)

Country	GDP Growth (Annual percent change)	Inflation (Percent)	Unemployment (Percent)	Fiscal Deficit (Percent of GDP)	Gross Debt (Percent of GDP)
Argentina	0.4	16.8	6.9	-4.9	52.1
Australia	2.4	1.8	6.3	-2.4	36.0
Brazil	-3.0	8.9	6.6	-7.7	69.9
Canada	1.0	1.0	6.8	-1.7	90.4
Chile	2.3	4.4	6.6	-3.3	18.1
China	6.8	1.5	4.1	-1.9	43.2
France	1.2	0.1	10.2	-3.8	97.1
Germany	1.5	0.2	4.7	0.5	70.7
Greece	-2.3	-0.4	26.8	-4.2	196.9
India	7.3	5.4	...	-7.2	65.3
Indonesia	4.7	6.8	5.8	-2.3	26.5
Italy	0.8	0.2	12.2	-2.7	133.1
Japan	0.6	0.7	3.5	-5.9	245.9
Korea	2.7	0.7	3.7	-0.5	38.2
Malaysia	4.7	2.4	3.0	-3.5	55.6
Mexico	2.3	2.8	4.3	-4.0	52.0
Russia	-3.8	15.8	6.0	-5.7	20.4
Singapore	2.2	0.0	2.0	1.1	98.7
South Africa	1.4	4.8	25.8	-4.1	48.4
Spain	3.1	-0.3	21.8	-4.4	98.6
Sri Lanka	6.0	1.7	4.0	-5.6	71.6
Thailand	2.5	-0.9	0.8	-1.2	43.5
United Kingdom	2.5	0.1	5.4	-4.2	88.9
United States	2.6	0.1	5.3	-3.8	104.9
Vietnam	6.5	2.2	2.5	-6.9	61.2

Sources: World Economic Outlook, IMF, October 2015; Fiscal Monitor, IMF, October 2015; Ministry of Finance and Central Bank of Sri Lanka

6.3 Fiscal Deficits

The average fiscal deficit to GDP ratio in advanced economies is projected at 3.1 percent for 2015 and it will narrow down to 2.6 percent in 2016, mainly due to the plunge in oil prices and recent decline in other food and non-food commodity prices. There is a large fiscal space for countries such as Germany and Hong Kong China. However, in the Europe and Central Asia regions, fiscal deficit is expected to increase from 1.8 percent in 2014 to 2.2 percent in 2015. In emerging and middle-income countries, fiscal space is deteriorating to 4.1 percent in 2015 from 2.5 percent in 2014 due to the sharp decline in commodity prices. The decline on commodity prices helped to large fluctuations in government revenue in commodity exporting countries thereby constraining public expenditure in such countries. The fiscal deficit in oil exporting countries, such as the Middle East and North African region is projected to widen to 8.3 percent of GDP in 2015 in comparison to 5.7 percent of GDP in 2014. Meanwhile, in low-income developing countries, fiscal deficit is expected to expand to 4.1 percent in 2015 from 3.2 percent in 2014, reflecting uncertainty in the commodity market.

6.4 Government Debt

The gross government debt to GDP ratio in advanced economies is projected to average 105.2 percent in 2015 and 105.4 percent in 2016, in comparison to the 105.3 percent recorded in 2014. Low inflation along with the decelerated growth adversely affected debt dynamics in most advanced economies. Gross government debt ratio in emerging and middle income countries has slightly increased since 2010

and it is projected to reach 44.6 percent in 2015 from 41.9 percent in 2014. In low-income developing countries gross government debt to GDP ratio is expected to be 33.9 percent in 2015 from 34.8 percent in 2014 partly due to the domestic currency depreciation of many countries.

6.5 Unemployment

The world unemployment remains high due to lower economic growth, particularly in advanced countries. In 2014, the global unemployment was 201 million people and is expected to increase by 3 million in 2015 as per the World Employment Social Outlook 2015 Report, International Labour Organization (ILO). The employment situation is improving in advanced economies, such as the US and Japan whereas it is deteriorating in emerging and developing countries with slower world economic growth coupled with the drop in commodity prices and financial market volatility. In September 2015, unemployment of the US was 5.1 percent whereas it was a high of 11 percent in Euro area in August 2015. The unemployment rate in China was 4.0 percent in the second quarter of 2015. The youth unemployment in the world increased to 21.4 percent at the end of 2014, reflecting difficulties to attain in labour market for young people. The number of unemployed are expected to rise more than 212 million in 2019 as per the ILO.

6.6 Interest Rates

The London interbank offered rate (LIBOR) on six months US\$ deposits is expected to average 0.4 percent in 2015 and 1.2 percent in 2016. The respective three-month euro deposits rates are

expected to average 0.0 percent in 2015 and 2016. The respective six-month yen deposits rates are expected to average 0.1 percent in 2015 and 2016.

With the financial turmoil particularly spread in the first half of 2015, a slowdown in China, lower equity prices and significant decline in commodity prices followed by currency depreciation in emerging and developing markets were associated with the movements of interest rate. Long-term sovereign bond yield rates were up by 30 basis points in the US, compared to the level of April and bond yields increased by 45-80 basis points in the Euro economies in the same period, reflecting recovering of economic activities and increased inflation. Meanwhile, the US and the UK are in the process of increasing their policy interest rates whereas other countries, such as Australia, Canada and New Zealand reduced interest rates. In contrast to the relaxed monetary policy stance adopted by the most advanced economies, emerging and developing economies are in the process of tightening their monetary policy. Meanwhile, nominal interest rates were reduced in China, India and Russia.

6.7 World Trade

World trade continued to remain moderated in 2015 as witnessed in 2013 and 2014, as per the IMF October 2015 forecast. Global trade volume is expected to decline by 3.0 percent, compared to 3.1 percent increase in 2014, reflecting declined exports by 3.1 percent coupled with increased imports by 4.0 percent in terms of volume. However, trade volume is expected to increase by 3.9 percent in 2016 with a pick up trade activities in

advanced economies. Growth in imports in emerging economies is expected to decline by 1.3 percent in 2015, compared to 3.6 percent recorded in 2014, in volume, due to slow down in domestic demand and large exchange rate depreciation. However, export growth is anticipated to rise by 3.9 percent in 2015, compared to 2.9 percent achieved in 2014, reflecting higher fuel exports from the Middle East and increased domestic demand in advanced economies. The trade deficit is expected to expand in emerging economies by 4.7 percent whereas the trade surplus in advanced economies is expected to increase by 1.6 percent in 2015, in terms of volume. World current account deficit is expected to narrow in 2015, stemming from smaller surpluses in oil exporting countries.

6.8 Commodity Prices

Commodity prices declined significantly over the past three years affecting to commodity exporters in terms of revenue and foreign exchange earnings, while benefiting commodity importers in terms of improving persistent supply and lowering cost. Oil prices declined further in 2015 due to persistent supply and weaker global demand; metal prices dropped due to declined global demand particularly from China and supply improvements. Commodity prices fell by 21 percent in the first nine months of 2015 mainly driven by 24 percent drop in crude oil prices, followed by the decline in prices of metals and agricultural products by 19 percent and 14 percent, respectively, compared to the same period of 2014. Strong supply from the Organization of the Petroleum Exporting Countries (OPEC), record level oil production in Russia, Iranian nuclear program to

remove sanctions against Iran helped rise the oil supply. Meanwhile, there is strong demand for oil with 1.7 million barrels a day. However, the demand is expected slowdown with the concern over world economic growth and financial turmoil. Meanwhile, metal price also declined as a result of oversupply, China's stock market correction and currency depreciation. Metal prices are expected to decline by 22 percent in 2015 and 9 percent in 2016. Prices of agricultural commodities showed mixed performance: the prices of cereals and coffee increased whereas the prices of cotton and cocoa (due to weaker supply), tea prices (due to drought in Kenya) increased in the second quarter of 2015. Food prices, such as cereals, vegetable oils, wheat and soybeans are projected to decline by 17 percent in 2015 and 5 percent for 2016. According to the report on "Commodity Market Monthly" IMF, in September 2015, although, prices of all major commodities are expected to decline in 2015 due to a weaker demand coupled with increased inventories, oil prices are expected to rise from US\$ 52 a barrel in 2015 to about US\$ 55 a barrel in

2017. Food and metal prices are expected to remain at lower level.

According to the recent report on "Commodity Market Monthly", IMF, prices of energy items such as, petroleum, natural gas and coal fell by 17.4 percent to US\$ 93.3 per barrel in the second quarter of 2015 due to the plunge in crude oil prices by 19.2 percent. The sharp fall in oil prices stemming from continued geopolitical instability in Brazil, Russia, some countries in Latin America and the Middle East adversely affected the energy markets. As a result, oil prices are expected to average US\$ 58.9 per barrel in 2015.

6.9 Capital Flows

Capital inflows and outflows to and from advanced economies showed a pickup in the first few months of 2015. However, there has been a declining trend in capital flows to emerging economies due to the decrease inflows to China, India and Latin America stemming from the global financial turmoil.

Gross Domestic Product

The economy is expected to register a growth rate of around 7- 8 percent in 2016 driven mainly by strong growth in Services sector and potential recovery of industry and agricultural output. The Agriculture sector continues to grow benefitting from the increase in agricultural production particularly stemming from continuation of government's fertilizer subsidy program and favorable weather conditions. The Industry sector is also expected to expand in 2016, particularly with the enhanced contribution coming from the factory industry output with the increase in demand emanating from both domestic and international markets. Implementation of several planned infrastructure projects in the country is likely to boost aggregate demand and output. Meanwhile, the Services sector is projected to expand on a higher growth path with positive contributions coming mainly from tourism, transportation, financial services and external and domestic trade. Private sector investment is also expected to regain its momentum in 2016 with increased investor confidence.

Consumer Prices

Headline inflation is expected to remain comfortably in low single digit level in 2016 and is anticipated to end around 3 percent. The supply side improvements in domestic agricultural production through government initiatives are expected to impact favorably on price developments. Moderate increased world economic

growth expected in 2016 is likely to exert a slight pressure on commodity prices.

Employment and Unemployment

More employment opportunities are expected to be generated through the improved investor confidence, along with the government's strategies towards improved industrial production and increased public investment. The emphasis placed on human resource and skills development in a knowledge based economy is also expected to create a better skilled and productive labor force while addressing skills shortage and skills mismatch on the economy to supply required skilled labor force for the start-ups. The unemployment rate is expected to reduce around 4.0 percent of the total labor force in 2016, benefitting from the expansion in the private sector investments and related improvements in the economy.

Balance of Payments (BOP)

Sri Lanka's external sector is expected to strengthen in 2016, with an overall BoP surplus and resultant increased Sri Lanka's external reserves. Exports are expected to revive in 2016 around 16 percent (in US\$ terms) with higher value addition, export diversification and expected recovery of the world economy. The positive impact of the existing and new Free Trade Agreements (FTAs), deep regional economic integration and FTAs with China and Japan are expected to affect favorably Sri Lanka's exports.

Imports are projected to grow around 20 percent in 2016, mainly due to higher import demand particularly for

intermediate and investment goods arising from increased consumer demand due to expected regain in domestic economic activities. Even though the trade deficit is expected to be widened, envisaged improvements in services account through enhanced tourism, ports and airports related services etc., and continuous improvement in inflows of foreign workers' remittances are expected to ease and offset the deficit of the external current account to a significant extent. The current account deficit for 2015 is projected at 1.4 percent of GDP, increasing marginally to 1.5 percent in 2016 as domestic investment picks up. Workers' remittances, which account for more than 5 per cent of GDP, are expected to generate around US\$9.0 billion in 2016. Renewed foreign investor confidence in debt and equity investment would help strengthen the capital account in 2016.

Exchange Rate

A stable exchange rate would be continued in 2016 while improving the external reserves of the country.

Monetary Aggregates

Money supply would be maintained at a level compatible with the expected growth in the nominal GDP in 2016. The envisaged fiscal consolidation in the government's fiscal operations would help allow sufficient resources to be channeled to the private sector to achieve the expected economic growth.

Revenue

Assumptions used for the revenue estimates are given in Annex IV.

Expenditure

The basis for the preparation of expenditure estimates are as follows;

- Expenditure on salaries and wages is based on the assumption that there will be about 1.3 million employees in the public sector while allowing a normal annual increase in the salaries due to annual increments entitled by employees.
- The number of pensioners is assumed to be 580,000 in estimating the expenditure on pension payments with the partial impact of about 25,000 retirees who would retire in 2016.
- There will be a lower increase in interest payments given the expected lower domestic interest rates consequent to the anticipated decline in inflation as well as government borrowing requirement with the reduction of the budget deficit less than 5.0 percent of GDP.
- Expenditure on utility services and supplies etc. is expected to be strictly managed to meet medium term fiscal targets.
- Transfers and subsidies to households will be continued by implementing support programmes for school children and disabled soldiers. Social security and welfare schemes for needy people in the form of free medicine, poverty alleviation programme will be continued together with agriculture support

programmes, such as fertilizer subsidy.

- Transfers to public institutions and corporations will be maintained at a desired level while expecting a strong improvement in their performance.
- Public Investment in national, regional and rural level development programmes to develop both economic and social infrastructure such as education, health and vocational training, will be continued at around 5-6 percent of GDP to support the growth momentum of the economy by stimulating private sector economic activities to reduce poverty and regional economic disparities.
- Efforts to improve the quality of public spending and curtailment of unproductive expenditures will be strengthened.
- To avoid duplication and smooth functioning of utilization of budgetary provisions, close cooperation and monitoring mechanisms with devolved agencies and line ministries are applied when implementing development activities.
- Commitment Control mechanisms will be implemented for fiscal and cash flow management

Borrowings

A proper combination of domestic and foreign borrowings will be adopted to ensure that the debt to GDP ratio would continue to decline. The debt management will continue effectively while ensuring

financing needs of the Government are met at least cost.

Sensitivities to the Estimates

Economic Projections could be sensitive to the following challenges:

- A faster recovery of the global economy than envisaged leading to an increase in international energy and other commodities, which could adversely affect the import cost, domestic consumer prices, production costs as well as budget costs though it will also generate positive implications, such as enhanced exports
- Adjustment costs to external shocks which may impact domestic production, international trade, domestic prices and overall growth
- Risks associated with natural disasters
- Unfavorable weather conditions which could have an adverse impact on agriculture, hydro power generation and government budget
- Administrative and procurement related impediments
- Capacity constraints to the medium term transformation may affect the use of funds in relation to foreign funded large projects and thereby investment level and economic growth.
- Unexpected and sudden adverse developments in global geo-political conditions affecting world economic growth

Risks likely to have a material effect on the fiscal position

- Deterioration of global imbalances resulting in a lower than expected global economic growth which could adversely affect external demand for Sri Lankan goods and services which will result in a slowing down of the Sri Lankan economy
- Higher than expected petroleum and commodity prices in international markets could threaten the macroeconomic stability and growth targets while affecting government expenditure and revenue
- Increasing trend in public sector employees' salaries and pensions related recurrent expenditure
- Underperforming State Owned Business Enterprises (SOBEs)

Annex I

Allocations Provided from the Budgetary Support Services and Contingent Liability Project 01st January to 30th September, 2015

Rs.

Head No.	Ministry/ Department	Purpose	Recurrent	Capital
1	His Excellency the President	Personal emoluments , outstanding payments of COSTI Project, winding up activities of Secretariat for Special Functions (Senior Ministers), purchase of vehicles, improvement of the buildings, expenditure of Office for National Unity as per the Cabinet Decision, expenditure of the Ministry of Special Projects, custom duty for importation of materials & equipment for construction of Nagananda International Institute for Buddhist Studies at Biyagama, cost of transportation of soldiers for special humanitarian activities in Nepal, Saemual Undong Project(KOICA), foreign travelling, account the grant given for National Nutritional Secretariat by UNICEF, national programme on drug prevention as per the Cabinet decision, expenditure for 70th Summit of UNGA, 2015 in New York and expenditure for newly created Ministries of Public Enterprise Development, Southern Development, Mega polis & Western Development, and Development Strategy & International Trades.	348,666,333	681,378,506
2	Office of the Prime Minister	Settlement for commitments for electricity and water, supplies, maintenance, services, buildings & structures, rehabilitation of plant, machinery and equipment, acquisition of furniture & office equipment and Anti -Corruption Committee, construction of a building, purchase of vehicles, for returning the funds given by European Union for the Coordinating the Peace Process in Sri Lanka as per the Cabinet decision, personal emoluments and leasing installments for leased vehicles.	187,431,806	90,866,246
6	Public Service Commission	Personal emoluments.	11,390,000	

9	Administrative Appeals Tribunal	Rent for the new office building, personal emoluments and Services.	5,530,000	
10	Commission to Investigate Allegations of Bribery or Corruption	Acquisition of furniture & office equipment, plant and machinery and equipment and rent for new office building, installation of CCTV Camera System in Office Premises, personal emoluments and supplies.	58,700,000	22,450,000
13	Human Rights Commission of Sri Lanka	Personal emoluments.	17,000,000	
17	Office of the Leader of the House of Parliament	Personal emoluments	1,000,000	
20	Department of Elections	Expenditure for General Parliament Election -2015 and personal emoluments.	2,319,000,000	
21	Auditor General's Department	Payment of incentives and personal emoluments.	302,000,000	
22	Office of the Parliamentary Commissioner for Administration	Personal emoluments.	1,740,000	
101	Ministry of Buddha Sasana	State Wesak Festival 2015 as per the Cabinet Decision.	21,070,000	
201	Department of Buddhist Affairs	Personal emoluments.	73,180,577	
204	Department of Hindu Religious & Cultural Affairs	Custom duty on importation of pooja items		3,000,000
102	Ministry of Finance	Purchase of a vehicle, payment due to Priji Engineering Services (Pvt) Ltd as per the Cabinet decision, personal emoluments, travelling & services, Interim allowances for Sri Lanka Social Security Board,	26,315,318	5,664,000
240	Department of National Budget	Leasing for the vehicle purchased under financial leasing method		1,300,000,000
241	Department of Public Enterprises	Issuance of bonds in terms of restructuring the NWSDB and Ceylon Petroleum Corporation, personal emoluments and foreign travelling.	6,500,000	38,900,000,000

242	Department of Management Services	Personal emoluments.	4,000,000	
243	Department of Development Finance	Supply of seed paddy free of charge, writing off the interest payment on pawned jewelry in state banks, writing off 50% of the capital cultivation loans granted up to Rs.100,000/- by the state banks, and increasing of interest rate to 15% for savings of senior Citizens, as per the budget proposals in 2015.	2,550,000,000	300,000,000
245	Department of Public Finance	Personal emoluments.	5,000,000	
246	Department of Inland Revenue	Personal emoluments, rehabilitation buildings and structures.	362,500,000	30,000,000
247	Department of Customs	Personal emoluments.	200,000,000	
248	Department of Excise	Personal emoluments and foreign travelling.	119,024,000	
249	Department of Treasury Operations	Administrative fee of the EIB Credit Line Project.		14,424,500
250	Department of State Accounts	Improvements to existing Treasury Accounting Information System.		6,000,000
251	Department of Valuation	Personal emoluments, conducting Commonwealth Heads of Valuation Agencies Conference in Colombo as per the Cabinet decision.	59,000,000	
280	Department of Project Management and Budget Monitoring	Personal emoluments.	9,000,000	
296	Department of Import and Export Control	Personal emoluments.	9,500,000	
324	Department of Management Audit	Personal emoluments.	3,000,000	
103	Ministry of Defence	Personal emoluments, Renovation of the official residence of the Defence Secretary, Colombo City Development project and personal emoluments for Sir John Kotelawala Defence University.	504,563,616	12,000,000

222	Sri Lanka Army	Renting a new office Building as per the Cabinet decision, traveling, supplies, maintenance, services, rehabilitation and improvement of capital assets, acquisition of fixed assets, Prefabricated Building Project, Army Hospital Project, Intelligent Services and personal emoluments and compensation for disable solders.	18,654,450,000	430,000,000
223	Sri Lanka Navy	Personal emoluments, Procuring two Advanced Offshore Patrol Vessels and relocation of Vidura Navy Training Center.	5,531,500,000	2,050,000,000
320	Department of Civil Security	Personal emoluments, Supplies, maintenance, services, rehabilitation and improvement of capital assets & acquisition of fixed assets, stationery and office requisites and transport.	5,244,300,000	47,000,000
325	Department of Sri Lanka Coast Guard	Payment of taxes and duties for oil spill response equipment		46,732,335
104	Ministry of Policy Planning, Economic Affairs, Child, Youth and Cultural Affairs	Settlement of leasing amount for 70 vehicles purchased by the Ministry of Economic Development as per the Cabinet decision, Preparation of Western Region Mega polis Master Plan as per the Cabinet decision , accounting the grant given by UNICEF for the projects of Conducting a study on developing a comprehensive Social Protection Scheme through Institute of Policy Studies and project of Improve Access to Safe Drinking Water in Areas Vulnerable to Extensive Water Quality Deterioration, repayment of deposits of Golden Key Credit Card Company Ltd, through CBSL as per the Cabinet decision , payment of consultancy fee for formulation of USA-Sri Lanka free Trade Agreement as per the Cabinet decision, payment for standing committee and review committee members, as per the Cabinet decision and personal emoluments.	604,905,611	741,396,214
401	State Minister of Cultural Affairs	Building rent for official residence for the Minister and personal emoluments.	126,500,000	

402	State Minister of Youth Affairs	Implementation of the Budget Proposal 2015 on Empowering the Youth Parliament and building rent, account the grant given for Youth Development and Youth Empowerment Activities by UNICEF and personal emoluments.	39,134,000	250,217,903
403	State Minister of Children's Affairs	Accounting the grant given for the projects of South Asia Initiatives to End Violence Against Children by SAARC, Ensuring Child Protection and Child Rights by UNICEF and Training Programme on ECCD Standards by UNICEF. Lama Diriya Programme, implementation of Nutritional Food Package for Expectant Mothers Project and Allowances for Pre-School Teachers as per the Budget Proposals -2015, building rent for the office building.	1,043,000,000	28,902,637
206	Department of Cultural Affairs	Domestic travelling and personal emoluments.	63,090,000	
207	Department of Archaeology	Personal emoluments.	161,000,000	
208	Department of National Museums	Personal emoluments.	27,000,000	
217	Department of Probation & Childcare Services	Personal emoluments.	43,700,000	
239	Department of External Resources	Personal emoluments.	12,000,000	
252	Department of Census and Statistics	Personal emoluments.	151,000,000	
311	Department of National Physical Planning	Personal emoluments.	26,000,000	
106	Ministry of Public Order and Christian Religious Affairs	Flood relief expenditure in Polonnaruwa District and settling the outstanding bills on providing the relief for victims of flood/ landslide/ cyclone in December 2014	550,000,000	199,000,000
225	Department of Police	Personal emoluments.	7,220,000,000	
226	Department of Immigration & Emigration	Personal emoluments and property loan interest of public servants	82,630,000	

227	Department of Registration of Person	Personal emoluments and other capital expenditure	79,300,000	15,000,000
304	Department of Meteorology	Personal emoluments.	32,280,000	
108	Ministry of Muslim Religious Affairs and posts	Personal emoluments.	4,000,000	
308	Department of Posts	Personal emoluments and property loan interest of public servants	2,030,000,000	
221	Department of Labour	Accomplishment of pre-condition for the project "Payment of 30% from EPF", continuation of office building construction as per the Cabinet Decision and personal emoluments.	239,000,000	833,129,000
110	Ministry of Justice and Labour Relations	Accounting the grant given for Child Protection Programme by UNICEF, personal emoluments, payment of compensation of employees who lost employment in Thulhiriya and Pugoda Textile Factories as per the Cabinet Decision .	65,270,000	4,037,750
205	Department of Public Trustee	Personal emoluments.	5,000,000	
228	Courts Administration	Electricity and personal emoluments.	892,019,000	
229	Department of Attorney General's	Expenditure for Conference of the Attorney Generals of Asia on the occasion of the 130th Anniversary, Staff training and personal emoluments.	126,746,000	5,500,000
230	Department of Legal Draftsman's	Personal emoluments.	14,600,000	
232	Department of Prison	Settlements of outstanding bills on vehicle repair		288,187,800
234	Department of Registrar Supreme Court	Personal emoluments.	25,500,000	
220	Department of Ayurveda	Personal emoluments.	299,667,000	
112	Ministry of Foreign Affairs	Purchase flag cars for the use of Sri Lanka High Commissioner in Stockholm, Sweden, Geneva and official vehicles for the use of Sri Lanka Missions in Oslo, Jakarta, Kuala Lumpur and Kampala, personal emoluments.	55,000,000	48,748,000

215	Department of Technical Education & Training	Personal emoluments.	252,078,000	
114	Ministry of Internal Transport	Payments of procurement of 80 nos. of 35-seater buses to use at remote villages, as per the Cabinet decision and personal emoluments including the staff of Sri Lanka Transport Board.	1,011,100,000	253,000,000
306	Department of Sri Lanka Railways	Personal emoluments.	5,000,000	
307	Department of Motor Traffic	Personal emoluments and issuing number plates for registered vehicles	586,400,000	
116	Ministry of Food Security	Purchase of paddy during Maha and Yala seasons as per the Cabinet Decision and personal emoluments.	7,503,230,000	
298	Department of Measurement Unit , standards and Services	Personal emoluments.	21,740,000	
301	Department of Co-operative Development	Personal emoluments.	8,883,000	
117	Ministry of Highways and Investment Promotion	Road Network Development Project, buildings & structures, land & lands improvements, construction of Highways Secretariat, construction of Thattuthurai Bridge, Outer Circular Highways Kadawatha to Kerawalapitiya, Rural Road Reawakening Programme as per the Cabinet Decision and personal emoluments.	58,000,000	4,335,000,000
118	Ministry of Agriculture	Renovation of official residence of Hon. Minister, Water Resources Development Investment Programme, Personal emoluments of National Food Promotion Board and Water Resources Board, personal emoluments & fuel expenditure, transport allowances for Sri Lanka Council for Agricultural Research Policy, supplies & services.	168,371,510	202,000,000
285	Department of Agriculture	Accounting the grant for Post-harvest Management and Value Addition of Fruits in Sri Lanka by SAARC and personal emoluments.	510,544,000	10,000,000
289	Department of Export	Personal emoluments.	116,760,000	

Agriculture

120	Ministry of Women's Affairs	Personal emoluments and empowering widows & women headed households as per the Cabinet Decision.	14,900,000	25,000,000
121	Ministry of Home Affairs	Settlement of outstanding liabilities relating to implemented development programmes by former Ministry of Economic Development as per the Cabinet Decision , personal emoluments of Ceylon Fisheries Corporation as per the Cabinet Decision, Deyata Kirula Development Programme -2015 as per the Cabinet decision , development projects implemented by the District and Divisional coordinating committees - 2014 as per the Cabinet decision, personal emoluments of National Aquatic Resources Research & Development Agency, National Aquaculture Development Authority.	190,870,000	16,069,110,000
254	Department of Registrar General	Personal emoluments.	199,000,000	
256	District Secretary -Gampaha	Personal emoluments.	206,377,800	
258	District Secretariat, Kandy	Personal emoluments and Expenditure of state funeral ceremony of Late Asgiri Mahanayake Thero	205,832,800	
261	District Secretary -Galle	Personal emoluments.	178,000,000	
262	District Secretary -Matara	Personal emoluments.	107,000,000	
263	District Secretary -Hambantota	Renovation and improvements of District Secretariat -Hambantota, as per the Cabinet Decision, and corporation due to difficulties Encountered by the people in the Area closer to Weerakatiya National School and personal emoluments.	197,000,000	130,500,000
264	District Secretary -Jaffna	Personal emoluments.	149,290,000	
265	District Secretary -Mannar	Write off the losses occurred in war prevailed areas, as per the Cabinet decision	6,713,140	
268	District Secretary -Kilinochchi	Electricity and water	2,200,000	
269	District Secretary -Bstticaloa	Personal emoluments and vehicles maintenance	119,300,000	

271	District Secretary -Trincomalee	Personal emoluments.	73,920,000	
275	District Secretary -Polonnaruwa	Personal emoluments, and Awaken Polonnaruwa Presidential Programme 2016-2020 as per the Cabinet Decision.	53,000,000	200,000,000
276	District Secretary -Badulla	Meeriyabedda Housing Programme		60,000,000
122	Ministry of Mass Media & Parliamentary Affairs	Personal emoluments, travelling, supplies, maintenance & services gratuity benefits for the personal staff of Hon. Members of Parliament.	93,000,000	
211	Department of Government printer	Personal emoluments and purchase of a Vehicle	132,000,000	5,500,000
123	Ministry of Housing and Samurdhi	Accounting the grant given for Housing Development Project by Kazakhstan, Housing Development Project by Baharain, refurbishing of the official residence of Hon. Deputy Minister, payroll costs increase due to implemented Projects under budget proposal by State Engineering Corporation of Sri Lanka as per the Cabinet decision , personal emoluments & services, implementation Urgent and Essential Repairs of Government Housing Schemes -implemented by CMA as per the Cabinet decision , rents and local taxes.	313,000,000	281,140,000
309	Department of Building	Personal emoluments.	38,300,000	
310	Department of Government Factory	Personal emoluments.	14,400,000	
331	Department of Divineguma Development	Increase Samurdhi Relief, as per the Cabinet Decision and personal emoluments.	22,410,000,000	
124	Ministry of Social Services, Welfare and Livestock Development	Assistance to Chronic Kidney Disease Patients, personal Emoluments of the staff of Saumyamoorthi Thondaman Foundation, April to June of 2015. accounting the grant given Diri Saviya		

		Project by WB and UNICEF country programme initial Support for Elderly Over 70 Years, as per the Cabinet decision ,travelling expenses ,Budget Proposal 2015, Contribution to MILCO for the supply of low price milk products and increase of milk buying prices from farmers and personal emoluments.	5,203,650,340	28,802,000
216	Department of Social Services	Personal emoluments.	57,200,000	
292	Department of Animal Production and Health	Personal emoluments.	86,000,000	
126	Ministry of Education	personal emoluments and retirements benefits.	5,491,708,000	
213	Department of Educational Publications	Personal emoluments.	8,870,000	
214	University Grant Commission	Increase of Mahapola & Bursary as per the Cabinet decision, personal emoluments of university Grants Commission including 13 universities, Postgraduate Institute of English , 05 Higher Educational Institutes & Postgraduate Institute of Medicine.	4,026,000,000	
408	State Ministry of Higher Education	Personal emoluments including Relocating of Institute of Technology-University of Moratuwa as per the Cabinet decision , including Vocational Training Authority of Sri Lanka, personal emoluments Sri Lanka Institute of Advanced Technology Education, Bhikku university of Sri Lanka, Buddhist & pail University of Sri Lanka and University of Vocational Technology.	448,945,000	102,912,806

130	Ministry of Public Administration , Local Government and Democratic Governance	Purchase of machinery & equipment for Local Government Institutions, Local Economic Development (GLED) Project funded by UNDP , providing infrastructure facilities to the Shingri-La hotel project as per the Cabinet Decision , personal emoluments, supplies, services, expenditure of the newly established State Ministry of Public Administration and Democratic Governance, maintenance of vehicles & services, payment to the daughter of Former President D.B. Wijetunga as per the Cabinet decision , personal emoluments of Official Language Commission, including newly recruited National Integration Coordinators,	149,610,000	1,655,000,000
236	Department of Official Languages	Personal emoluments.	18,200,000	
312	Western Provincial Council	Personal emoluments, accounting the grant given for Transforming School Education as the foundation of a knowledge Hub by WB/AusAid.	7,799,160,000	22,000,000
313	Central Provincial Council	Account the grant given by UNICEF for Central Provincial Council UNICEF Programme, personal emoluments, account the grant funded by World Bank /AusAid for Transforming School Education as the foundation of a knowledge Hub.	4,815,660,000	35,134,550
314	Southern Provincial Council	Personal emoluments, account the grant funded by World Bank /Aus Aid for Transforming School Education as the foundation of a knowledge Hub.	4,843,280,000	22,000,000
315	Northern Provincial Council	Personal emoluments, Northern Road Connectivity Project, accounting the grant given Transforming School Education as the foundation of a knowledge Hub by WB and Aus Aid.	3,189,720,000	393,000,000
316	North Western Provincial Council	Personal emoluments and accounting the grant given for Transforming School Education as the foundation of a knowledge Hub by WB and Aus Aid.	4,955,420,000	22,000,000

317	North Central Provincial Council	Accounting the grant given for North Central Provincial Council by UNICEF, personal emoluments, rehabilitation of damaged water tanks, canals & school building, accounting the grant given for Transforming School Education as the foundation of a knowledge Hub, Economic Infrastructure - Northern Road Connectivity Project	2,607,280,000	704,624,347
318	Uva Provincial Council	Accounting the grant given for Uva Provincial Council by UNICEF and Transforming School Education as the foundation of a knowledge Hub.	3,170,510,000	37,251,600
319	Sabaragamuwa Provincial Council	Accounting the grant given by the World Bank and Transforming School Education as the foundation of a knowledge Hub by WB and personal emoluments.	3,410,430,000	22,000,000
321	Eastern Provincial Council	Personal emoluments and accounting the grant given by World Bank / Aus Aid for Transforming School Education as the foundation of a knowledge Hub.	3,464,400,000	23,000,000
135	Ministry of Plantation Industries	Salaries and advance payments of employees of Janatha Estate Development Board , implementation of Guaranteed price of Rs. 80/- per kilogram of Green Tea Leaf, personal emoluments of Sri Lanka Plantation Corporation, Tea Research Institute, Rubber Research Institute and Tea Small Holdings Development Authority, personal emoluments, supplies & services and incentives for Darton field Estate employees as per the Cabinet decision	5,624,736,000	882,500,000
293	Department of Rubber Development	Establishment of Guaranteed price of Rs. 350/- per kilogram of Rubber, as per the Cabinet decision and personal emoluments.	2,317,750,000	
219	Department of Sports Development	Personal emoluments.	22,331,000	
294	Department of National Zoological Gardens	Personal emoluments.	58,625,000	
282	Department of Irrigation	Personal emoluments.	863,343,000	

145	Ministry of Resettlement ,Reconstruction and Hindu Religious Affairs	Mine Risk Education Programme, Supporting Demining for the Civilian ,renovation of roads in Valikamam area, maintenance of welfare centers of Jaffna and Trincomalee Districts, Mine Action Programme Free Domestic power supply for resettled families in the Northern and Eastern provinces, as per the Cabinet decision, personal emoluments.	98,298,000	216,520,182
149	Ministry of Industry and Commerce	Personal emoluments of Lanka Salusala Ltd, National Crafts Council, Consumer Affairs Authority, Palmyrah Development Board, and Valachchenai Paper Mill as per the Cabinet decision and payment of the balance compensation for the retired employees of Ceylon Ceramics Corporation, as per the Cabinet decision.	65,182,000	120,544,339
297	Department of the Registrar of Companies	Personal emoluments.	9,500,000	
299	National Intellectual Property Office of Sri Lanka	Personal emoluments including the staff of National Intellectual Property Office, and property loan interest of public servants.	8,313,500	
153	Ministry of Lands	Personal emoluments including the staff of Kanthale Sugar Company Ltd.		17,973,672
286	Department of Land Commissioner General	Personal emoluments.	60,375,000	
287	Department of Land Title Settlement	Personal emoluments.	78,500,000	
288	Department of Survey	Personal emoluments ,transport, postal & communication and fuel.	584,500,000	
327	Department of Land Policy Planning	Personal emoluments.	51,947,480	
160	Ministry of Mahaweli Development and Environment	Accounting the grant given for strengthening national coordination activities of Global Environment Facility, Mainstreaming Biodiversity Conservation & Sustainable Use for Improved Human Nutrition & Well-		

		being , E Waste management Project & Mainstreaming Agro Biodiversity Conservation and Use in Sri Lanka Agro-Ecosystems for Livelihoods and Adaptation to Climate Change, National Biodiversity Strategic Action Plan to support the implementation of the Convention on Biological Diversity, a Mainstreaming Agro Biodiversity Conservation and use Sri Lanka Agro Ecosystems for Livelihoods and adaptation to Climate Change, personal emoluments of Marine Environment Protection Authority, postal and communication, personal emoluments.	299,448,000	16,188,210
283	Department of Forests	Cost of reforestation and personal emoluments.	157,100,000	18,000,000
291	Department of Coast Conservation and Coastal Resource	Personal emoluments.	48,000,000	
166	Ministry of Urban Development, Water Supply & Drainage	Jaffna Kilinochchi Water Supply & Sanitation, Greater Colombo Water & Waste Water Management Investment Improvement Programme, Trincomalee Integrated Infrastructure Project , Greater Colombo Waste Water Management Project (GOSL/ADB) , Water Supply and Sanitation Improvement Project and concessions for Colombo City dwellers.	400,000,000	9,108,000,000
332	Department of National Community Water Supply	Personal emoluments and vehicles maintenance	20,000,000	
182	Ministry of Foreign Employment	Personal emoluments and travelling	119,538,000	
Total			150,233,443,831	81,372,336,597

Source: Department of National Budget

Annex II

List of Guarantees Issued by the General Treasury up to 30.09.2015

Name of the Bank or Institution	Name of Institution	Amount Guaranteed (Rs.Mn)
Bank of Ceylon	Ceylon Petroleum Corporation	129,069
	General Sir John Kotelawala Defence University	835
	Mihin Lanka (Pvt)Ltd	399
	National School of Business Management Limited	8,600
	National Water Supply & Drainage Board	11,496
	Paddy Marketing Board	3,137
	Road Development Authority	42,357
	State Development and Construction Corporation	400
	STC General Trading Company Ltd.	460
Commercial Bank	Urban Development Authority	19,250
	Ministry of Defence and Urban Development	2,000
	National Water Supply & Drainage Board (NWSDB)	1,930
DFCC Bank	Road Development Authority	7,210
	Ministry of Defence and Urban Development	1,000
	National Water Supply & Drainage Board (NWSDB)	2,900
Employees' Trust Fund Board	Road Development Authority	1,329
	Lakdhanavi Ltd.	2,992
Hatton National Bank	Ministry of Defence and Urban Development	3,550
	National Water Supply & Drainage Board	1,349
	Road Development Authority	28,262
Hongkong & Shanghai Banking Co.Ltd.	West Coast Power(Pvt)Ltd.	21,859
Industrial And Commercial Bank of China Limited	Ceylon Electricity Board - Broadlands Hydropower Project	9,999
Japan International Corporation Agency (JICA)	Airport & Aviation Services (Sri Lanka) Limited	34,864
National Development Bank	National Water Supply & Drainage Board	3,874
	Road Development Authority	8,353
National Savings Bank	General Sir John Kotelawala Defence University	28,916
	Lakdhanavi Ltd.	2,992
	National Water Supply & Drainage Board (NWSDB)	1,239
	Paddy Marketing Board	1,031
	Road Development Authority	53,155
	Sri Lanka Land Reclamation & Development Corporation	3,500
	Urban Development Authority	2,770
People's Bank	Ceylon Electricity Board	21,870
	Ceylon Petroleum Corporation	93,217
	Ceylon Petroleum Storage Terminals Ltd.	5,779
	Ceylon Shipping Corporation Ltd'	11,473
	Co-operative Whole Sale Establishment	157
	Lanka Coal Company (Pvt) Ltd	5,000
	Ministry of Defence and Urban Development	1,000
	Paddy Marketing Board	2,325
	People's Bank Pension Trust Fund	5,000
	Road Development Authority	18,669
	Sri Lanka Consumer Co-operative Societies Federation Ltd.	50
	State Trading (Co-operative Wholesale) Company Ltd.	32
	Total Amount	

Source: Department of Treasury Operations

Annex III

Macroeconomic Indicators

Quarterly Growth Rates of Key Sub-Sectors of Agriculture

Sector	2014					2015 (a)	
	Q ₁	Q ₂	Q ₃	Q ₄	Annual	Q ₁	Q ₂
Tea (Mn kg)	73.9	99.8	81.9	82.5	338.1	79.1	92.9
Growth %	-9.5	8.0	10.1	-9.9	-0.6	7.1	-6.8
Rubber (Mn kg)	32.8	28.2	19.6	17.9	98.5	28.9	21.5
Growth %	-1.1	-3.7	-32	-54.1	-24.5	-11.7	-23.9
Coconuts (Mn nuts)	680	717	726	692	2,815	690	767
Growth %	6.6	12.6	12.2	11.0	10.6	1.5	6.9
Paddy Growth %	-21.4	-35.5	-30.0	28.7	-16.1	28.7	65.7
Fish (MT)	136,650	122,100	138,180	138,120	535,050	131,500	124,500
Growth %	13.3	10.8	-4.1	4.3	4.3	-3.8	2.0

Source: Department of Census and Statistics

(a) Provisional

Growth Rates of Industrial Sector: 2013-2015 (%)

Description	2013	2014	2015 (a)	
			Q ₁	Q ₂
Food, Beverages and Tobacco products	...	1.6	10.9	1.5
Textile, Wearing Apparel and Leather Related Products	8.2	1.9	5.4	-5.9
Chemical Products and Basic Pharmaceutical Products	8.5	1.8	14.5	3.5
Rubber and Plastic Products	-1.3	-3	-2.5	12.5
Non-metallic Mineral Products	-7.0	-4.9	-6.6	-10.0
Furniture	5.6	20.0	-2.0	13.6
Overall Industrial Growth	4.1	1.2	0.7	2.0

Source: Department of Census and Statistics

(a) Provisional

Performance in Electricity Generation and Services Sector: 2014- 2015

Category	2014			2014	2015	2015			2015
	Q ₁	Q ₂	Jul	Jan - Jul	Project	Q ₁	Q ₂	Jul	Jan - Jul
Electricity Generation									
Total Generation (GWh) (Excluding Self Generation)	2,974	3,090	1,085	7,149	12,981	3,114	3,258	1,159	7,531
<i>Growth Rate</i>	1.0	3.9	7.9	3.3	5.0	4.7	5.4	6.8	5.3
Hydro(excluding mini hydro)	641	482	339	1,461	4,706	1,167	1,184	281	2,632
<i>Growth Rate</i>	(49.1)	(64.6)	(50.1)	(55.7)	29.5	82.1	145.8	(17.0)	80.1
Thermal (includes Independent Power Plants and coal)	2,199	2,341	611	5,151	6,843	1,710	1,703	724	4,137
<i>Growth Rate</i>	45.5	81.2	255.2	73.1	(20.3)	(22.2)	(27.3)	18.5	(19.7)
Hydro: Thermal Ratio	23:77	17:83	36:64	22:78	41:59	41:59	41:59	28:72	39:61
Reservoir Water Level %(End Period Average)	38.7	33.5	50.3	37.5	-	81.3	61.4	50.6	67.7
Port Services									
			Jul-Aug	Jan-Aug				Jul-Aug	Jan-Aug
Total Cargo Handled ('000 MT)	17,638	18,094	6,841	49,393	76,650	18,478	18,83	7	6,842
<i>Growth Rate</i>	11.0	8.3	19.4	12.0	3.0	4.8	4.1	-	3.3
Total Container Handled ('000 TEUs)	1,151	1,204	441	3,240	5,130	1,255	1,249	470	3,438
<i>Growth Rate</i>	10.5	13.6	16.6	13.1	4.5	9.1	3.7	6.7	6.1
Telecommunications Services (No. of Subscribers)									
				Jan-Jun					Jan-Jun
Fixed Lines ('000)	2,696	2,696	-	2,696	2,692	2,710	2,677	-	2,677
<i>Growth Rate</i>	(4.9)	(3.7)	-	(3.7)	(0.7)	0.5	(0.7)	-	(0.7)
							24,23		24,23
Cellular ('000)	21,394	21,012	-	21,012	24,734	22,720	5	-	5
<i>Growth Rate</i>	10.6	7.6	-	7.6	11.8	6.2	15.3	-	15.3
Total Fixed Lines and Cellular ('000)	24,090	23,708	-	23,708	27,425	25,430	26,91	-	26,91
<i>Growth Rate</i>	8.7	6.2	-	6.2	10.4	5.6	13.5	-	13.5
Internet and email ('000)	2,903	2,788	-	2,788	4,403	3,587	3,641	-	3,641

Export Performance in 2014-2015

US \$ Million

Item	2014			2015		
	Jan-Jul	Aug-Dec	Total	Jan-Jul(a)	Aug-Dec (b)	Total (b)
Agricultural Products	1,609	1,185	2,794	1,490	1,149	2,639
Tea	944	684	1,628	809	596	1,405
Rubber	33	12	45	16	2	18
Coconut Products	199	158	357	209	186	395
Other Agricultural Products	433	331	764	456	366	822
Industrial Products	4,742	3,520	8,262	4,828	3,734	8,562
Textile and Garments	2,827	2,103	4,930	2,819	2,176	4,995
Petroleum Products	213	126	339	264	200	464
Other Industrial Products	1,702	1,292	2,994	1,745	1,357	3,102
Mineral Export	48	12	60	21	12	32
Other Exports	8	7	15	9	7	16
Total Exports	6,407	4,724	11,130	6,348	4,902	11,250

Source: Central Bank of Sri Lanka

(a) Provisional

(b) Projections

Import Performance in 2014-2015

US\$ Million

Item	2014			2015		
	Jan-Jul	Aug-Dec	Total	Jan-Jul (a)	Aug-Dec (b)	Total (b)
Consumer Goods	1,961	1,892	3,853	2,772	1,913	4,685
Rice	65	217	282	127	53	180
Sugar	176	79	255	164	109	273
Other Food Products	633	464	1,097	712	540	1,252
Other Consumer Goods	1,087	1,132	2,219	1,719	1,211	2,929
Intermediate Goods	6,678	4,720	11,398	5,659	4,225	9,884
Fuel	2,977	1,621	4,597	1,603	1,200	2,803
Wheat and Maize	227	178	405	200	144	344
Fertilizer	153	120	273	146	110	256
Textile & Clothing	1,255	1,072	2,328	1,393	1,099	2,492
Other Intermediate Goods	2,065	1,730	3,796	2,316	1,673	3,989
Investment Goods	2,185	1,967	4,152	2,644	2,031	4,675
Other Imports	7	7	14	11	10	21
Total	10,830	8,586	19,417	11,035	8,179	19,214

Source: Central Bank of Sri Lanka

(a) Provisional

(b) Projections

Balance of Payments - 2015

US\$ Million

Item	2015		Annual Projection
	Q1 (a)	Q2 (a)	
Current Account Balance	-391	-513	-1990
Trade Balance	-1915	-2171	-7964
Exports	2877	2538	11250
Imports	4792	4709	19214
Services (net)	583	420	2011
Receipts	1578	1409	6410
Payments	995	989	4400
Primary Income (net)	-505	-334	-2261
Receipts	35	34	224
Payments	541	368	2484
Secondary Income (net)	1446	1571	6224
Secondary income: credit	1684	1756	n.a.
Secondary income: debit	237	185	n.a.
Capital Account (net)	10	6	6.8
Capital account: credit	14	10	n.a.
Capital account: debit	4	5	n.a.
Current and Capital Account (net)	-381	-508	-1992
Financial Account (net)	499	115	1419
Direct Investment: Assets	14	14	n.a.
Direct Investment: Liabilities	114	164	n.a.
Portfolio Investment: Assets	0	0	n.a.
Debt securities	0	0	n.a.
Portfolio Investment: Liabilities	-479	631	n.a.
Equity and investment fund shares	20	-5	n.a.
Debt securities	-499	636	n.a.
Financial Derivatives	0	0	n.a.
Other Investment: Assets	69	-84	n.a.
Currency and deposits	-15	-49	n.a.
Trade credits and advances	-25	-30	n.a.
Other accounts receivable	109	-5	n.a.
Other Investment: Liabilities	161	257	n.a.
Currency and deposits	-12	412	n.a.
Loans	605	-96	n.a.
Trade credits and advances	-239	-239	n.a.
Other accounts payable	-193	180	n.a.
Special Drawing Rights (SDRs)	0	0	n.a.
Reserve Assets	-786	1008	n.a.
Net Errors and Omissions	-118	393	n.a.
Overall Balance	-1017	-792	-903

Source: Central Bank of Sri Lanka

(a) Provisional

International Reserves

Item	End 2013	End 2014	Jul-2015	<i>US\$ Million</i>
				Aug-2015
Total External Reserves	10,476.2	9,884.0	8,431.4	n.a.
Months of Imports	5.7	6.1	5.2	n.a.
Gross Official Reserves	7,495.3	8,208.0	6,808.5	6,466.7
Months of Imports	5.0	5.1	4.2	3.9

Source: Central Bank of Sri Lanka

Government Foreign Currency Debt Outstanding

Items	<i>US\$ Million. (a)</i>
	End Aug 2015
Total Outstanding	24,921.46
Government Foreign Debt (b)	20,507.97
Dollar dominated Domestic Debt	4,413.49
Sri Lanka Development Bonds (SLDBs)	4,263.49
Foreign Currency Banking Units (FCBUs)	150.00

Source: Central Bank of Sri Lanka

(a) 1 US\$ = 133.6 LKR

(b) Excludes foreign holdings of T-bills & T-bonds

Outstanding Domestic Foreign Currency Debt of the Government

	<i>US \$ Million</i>	
	End 2014	End Aug 2015
Outstanding	3134.26	4460.06
FCBUs	150.00	150.00
SLDBs	2,984.26	4,310.06
Receipts	881.50	2211.37
FCBUs	150.00	50.00
SLDBs	731.50	2,161.37
Payments	721.00	885.57
FCBUs	150.00	50.00
SLDBs	571.00	835.57

Source: Central Bank of Sri Lanka

Movements in Selected Exchange Rates (Against the US\$)

Currency	Appreciation (+) / Depreciation (-)	
	End 2013 - End 2014	End 2014 - Sep 2015
Sri Lanka Rupee	-0.26	-2.53
Indian Rupee	-2.31	-4.30
Bangladesh Taka	-0.60	-0.01
Pakistan Rupee	4.60	-2.80
Singapore Dollar	-4.09	-6.47
Thailand Bhat	-0.08	-8.32
Taiwan Dollar	-5.88	-2.47
Indonesian Rupiah	-2.07	-11.29
Philippine Peso	-0.83	-4.35
Korean Won	-3.29	-7.63
Japanese Yen	-12.08	-1.51

Source: Central Bank of Sri Lanka

Central Bank Holdings of Treasury Bills

End Period	<i>Rs. Million.</i>
	Net of Repos (Book value)
2007	41.8
2008	143.2
2009	36.0
2010	2.3
2011	167.3
2012	163.3
2013	13.3
2014	3.1
End Aug. 2015	170.5

Source: Central Bank of Sri Lanka

Commercial Banks' Loans and Advances to the Private Sector -June 2015 (a)(b)

	Amount (Rs.million)(c)	as a % of Total
1. Agriculture & Fishing	291,215	9.8
<i>o/w</i>		
Tea	68,979	2.3
Rubber	20,312	0.7
Coconut	9,820	0.3
Paddy	16,562	0.6
Vegetable, Fruit Cultivation and Minor Food Crops	16,239	0.5
Livestock and Dairy Farming	12,401	0.4
Fisheries	10,259	0.3
2. Industry	1,188,002	40.1
<i>o/w</i>		
Construction	528,541	17.9
<i>o/w</i>		
- Personal Housing including Purchasing/Construction/Repairs	249,940	8.4
- Staff Housing	60,786	2.1
Food and Beverages	73,524	2.5
Textiles and Apparel	131,767	4.5
Wood and Wood Products including Furniture	9,952	0.3
Paper and Paper Products	8,293	0.3
Chemical, Petroleum, Pharmaceutical, Healthcare and Rubber and Plastic Products	60,910	2.1
Non-metallic Mineral Products	10,510	0.4
Basic Metal Products	15,105	0.5
Fabricated Metal Products, Machinery and Transport Equipment	105,203	3.6
Other Manufactured Products	11,664	0.4
3. Services	786,989	26.6
<i>o/w</i>		
Wholesale and Retail Trade	232,007	7.8
Tourism	88,809	3.0
Financial and Business Services	165,266	5.6
Transport	34,723	1.2
Communication and Information Technology	43,489	1.5
Printing and Publishing	14,320	0.5
Education	5,562	0.2
Health	17,818	0.6
Shipping, Aviation, Supply and Freight Forwarding	12,685	0.4
4. Personal Loans and Advances	644,054	21.8
<i>o/w</i>		
Consumer Durables	108,197	3.7
Pawning	153,259	5.2
Credit Card	58,880	2.0
Personal Education	2,013	0.1
Personal Healthcare	2,458	0.1
5. Safety Net Scheme Related (e.g Samurdhi)	50,192	1.7
6. Total	2,960,451	100.0

Source: Central Bank of Sri Lanka

(a) Based on the Quarterly Survey of Commercial Banks' Loans and Advances to the Private Sector, which includes loans and advances of both DBUs and OBUs of commercial banks.

(b) Includes loans, overdrafts, bills discounted and purchased and excludes cash items in the process of collection

(c) Provisional

Interest Rate Movements in 2014 - 2015

Interest Rate	End Dec 2014	End Mar 2015	End June 2015
Policy Rates of the Central Bank			
Standing Deposit Facility Rate(SDFR)(a)	6.50	6.50	6.00
Standing Lending Facility Rate(SLFR)(b)	8.00	8.00	7.50
Weighted Average Call Money Rate (AWCMR)	6.21	6.64	6.12
Weighted Average OMO Auction Rate (Repo)	5.91(b)	6.13(c)	-
Weighted Average OMO Auction Rate (Reverse Repo)	6.72 (d)	-	-
Treasury Bill Rates			
91-days	5.74	6.55	6.11
182-days	5.84	6.68	6.21
364 -days	6.01	6.76	6.28
Lending Rates			
Average Weighted Prime Lending Rate(AWPR) (weekly)	6.26	7.09	7.00
Average Weighted Prime Lending Rate (AWPR) (monthly)	6.35	6.90	7.00
Average Weighted Lending Rate(AWLR)	11.91	11.50	11.25
Deposit Rates			
Average Weighted Deposit Rate (AWDR)	6.20	5.83	6.02
Average Weighted Fixed Deposit Rate (AWFDR)	7.33	6.87	7.29

Source: Central Bank of Sri Lanka

a) Repurchase Rate and Reverse Repurchase rate renamed as Standing Deposit Facility Rate (SDFR) with effect from 02 January 2014

b) Last auction held on 26 December 2014.

c) Last auction held on 27 February 2015.

d) Last auction held at 27 March 2014

CCPI - Changes in Expenditure Values

	Rupees			Change		
	Weight	Sep - 2014	Sep -2015	Rupees	%	Contri. to Change %
Food and Non Alcoholic Beverages	41.03	23,662.61	24,177.84	515.23	2.18	1.01
Food	34.32	19,787.89	20,127.74	339.85	1.72	0.67
Bread and Cereals	7.87	4,917.38	4,772.00	-145.38	-2.96	-0.29
Meat and Meat Products	2.29	1,063.80	1,179.79	115.99	10.90	0.23
Fish and Sea Food	5.95	3,401.55	3,515.45	113.90	3.35	0.22
Milk, Cheese and Eggs	6.11	3,758.74	3,637.03	-121.71	-3.24	-0.24
Oils and Fats	1.15	712.54	710.21	-2.33	-0.33	0.00
Fruit	1.43	578.61	836.66	258.05	44.60	0.51
Vegetables	5.65	2978.01	3,129.62	151.61	5.09	0.30
Sugar, Jam, Honey, Chocolate and Confectionary	1.54	786.14	689.45	-96.69	-12.30	-0.19
Food Products n.e.c.	2.34	1,596.11	1,657.52	61.41	3.85	0.12
Non - Alcoholic Beverages	0.87	626.93	678.6	51.67	8.24	0.10
Coffee, Tea and Cocoa	0.73	545.85	596.52	50.67	9.28	0.10
Mineral Waters, Soft Drinks, Fruit and Vegetable juices	0.14	81.07	82.08	1.01	1.25	0.00
Meals Bought from out side	5.84	3247.79	3371.5	123.71	3.81	0.24
Clothing and Footwear	3.14	1510.47	1805.25	294.78	19.52	0.58
Housing, Water, Electricity, Gas and other Fuels	23.72	10,353.64	9,190.30	1,163.34	-11.24	-2.28
Furnishing, Household Equipment and Routine Household Maintenance	3.6	1520.76	1,691.30	170.54	11.21	0.33
Health	3.16	2,414.73	2,820.25	405.52	16.79	0.80
Transport	12.26	6,845.20	6,284.76	-560.44	-8.19	-1.10
Communication	4.75	1249.11	1249.11	0	0.00	0.00
Recreation and Culture	1.5	645.45	698.24	52.79	8.18	0.10
Education	3.94	1,579.62	1,699.40	119.78	7.58	0.23
Miscellaneous Goods and Services	2.89	1197.65	1259.06	61.41	5.13	0.12
All Items	100.00	50,979.23	50,875.51	-103.72	-0.20	-0.20

Source: Department of Census and Statistics

Annex IV

Assumptions for Revenue Estimates - 2016

The revenue estimates for 2016 are based on the expected macroeconomic development and the status of the country's tax system in which broad assumptions are as follows.

The economy is expected to grow by about 7-8 percent in 2016 and the growth is expected to be broad based.

- The inflation is expected to remain subdued at around 3-4 percent in 2016.
- The recovery of the global economy is expected to be strengthened.
- The external sector is expected to improve further in 2016 by maintaining a surplus in the Balance of Payments. (BOP)
- Growth in exports is expected to continue with the enhanced external demand while helping a commensurate improvement in domestic economic activities.
- Imports are projected to record a relatively high growth with increased demand for investment and intermediate goods by both private and public sector to support higher export growth and economic growth.
- A stable exchange rate is expected to be continued, supported by the enhanced external reserves of the country.
- Domestic demand is expected to improve consequent to a strong improvement in domestic economic activities complemented by the low interest rate regime.
- The growth in the money supply in 2016 is expected to maintain at a level compatible with the expected nominal growth of around 14 percent of GDP
- Tax system is expected to continue without significant changes to existing tax rates. The gradual establishment of the tax system in the country will help to generate expected revenue.
- Automation of the Customs clearing process (Single Window) for both import and export will help to enhance the customer satisfaction and enhance the revenue.
- Automation of the Inland Revenue Department (IRD) by the implementation of Revenue Administration and Management Information System (RAMIS) will help to provide better service to tax payer and enhance the revenue.
- Integrated Treasury Management Information System (ITMIS) will ensure efficient management of government resources

Key Sectoral Growth Rate %

Item	2013	2014	2015 up to 2 nd quarter (a)
GDP	3.4	4.5	5.5
Agriculture	3.2	-2.2	3.3
Industry	4.1	1.2	1.3
Services	3.7	6.4	7.1
Inflation - GDP Deflator (%)	6.2	2.7	4.1
Unemployment Rate (%)	4.4	4.3	4.6
Private Investment (% of GDP)	20.5	21.7	n.a

Source: Department of Census and Statistics

(a) Provisional

Value Added Tax (VAT)

Rate	Item
Zero Rate	Export Goods
Standard Rate (11%)	General Items
Exemptions	Goods and Services which are listed in the VAT exemption list of the VAT Act.

Value of Imports

Item	US\$ Million.	
	2014(a)	2015(b)
Rice	282	180
Sugar	256	273
Other Food	1,097	1,252
Other Consumable Goods	2,219	2,929
O/W Motor Vehicles	897	1,276
Fuel	4,597	2,803
Fertilizer	272	256
Wheat and Maize	405	344
Chemicals	808	880
Textiles&Textile Articles	2,328	2,492
Other Intermediate Goods	2,987	3,109
Machinery and Equipment	2,131	2,282
Transport Equipment	707	1,112
Building Materials	1,309	1,275
Other	19	27
Total	20,313	20,490

Source: Central Bank of Sri Lanka

(a) Provisional

(b) Projections

Category	% of Total Imports	
	2014(a)	2015(b)
Consumer Goods	19.8	24.1
Intermediate Goods	58.7	51.4
Investment Goods	21.4	24.3
<i>Source: Central Bank of Sri Lanka</i>		
<i>(a) Provisional</i>		
<i>(b) Projections</i>		

Custom Duty Structure (As at 06.11.2015)

Item	Rate
Basic raw materials and Machinery	Zero
Semi processed items (Lowest level of production for domestic industry)	7.5%
Intermediate products (medium level of production for domestic industry)	15%
Finished products and Luxury goods	25%

Value of Imports and Growth

Item	2014	2015(a)	2016(a)
Value of Imports (US & Mn.)	19,417	19,214	20,958
Growth	7.9	-1.0	9.1
<i>Source: Central Bank of Sri Lanka</i>			
<i>(a) Projection</i>			

Cigarettes Excise Duty Structure (Per 1,000 cigarettes as at 06.11.2015)

Item	Rs. per 1,000
Cigarettes each not exceeding 60mm. in length	6,975
Cigarettes each exceeding 60mm. but not exceeding 67mm in length	12,675
Cigarettes each exceeding 67mm. but not exceeding 72mm in length	14,660
Cigarettes each exceeding 72mm. but not exceeding 84mm in length	23,750
Cigarettes each exceeding 84mm. in length	27,240

Liquor Excise Duty Structure (As at 06.11.2015)

Item	Rs. per Proof Litre
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Coconut Processed/ Molasses Arrack	1,595
Country Made Foreign Liquor	1,860
Molt Liquor (Beer) above 5% in strength (per liter)	245
Molt liquor (Beer) less 5% in strength (per lit.)	190
Wine containing more than 4% in strength	1,120

Petroleum Excise Duty Structure(As at 06.11.2015)

Item	Rs per Litre
Petrol	Rs.27.00
Diesel	Rs.3.00

Excise (Special Provisions) Duty: Motor Vehicles Duty Structure (As at 06.11.2015)

Item/ Engine Capacity	Rate
(i) Cars - Petrol	
Less than 1000 cc	155%
1000 cc - 1600 cc	173%
1600 cc - 2000 cc	173%
2000 cc - 3000cc	230%
Exceeding 3000 cc	253%
(ii) Cars - Diesel	
Less than 1600 cc	230%
1600 cc - 2000 cc	253%
2000 cc - 2500 cc	276%
Exceeding 2500 cc	345%
(iii) Cars - Hybrid/ Petrol	
Less than 1000 cc	58%
1000 cc - 1600 cc	92%
1600 cc - 2000 cc	92%
2000 cc 3000cc	132%
Exceeding 3000 cc	184%
(iv) Cars - Hybrid/ Diesel	
Less than 1600 cc	104%
1600 cc - 2000 cc	104%
2000 cc - 2500 cc	132%
Exceeding 2500 cc	184%
(v) Electric Cars	
	6%
(vi) Vans	
13 - 25 Persons/ Diesel	98%
13 - 25 Persons/ Petrol	98%
Less than 13 Persons/ Diesel	230%
Less than 13 Persons/ Petrol	173%

Ports and Airports Development Levy(As at 06.11.2015)

Category	Rate
General Rate	5.0%
Identified accessories, parts etc. for garments industry	2.5%

Raw materials for manufacturing of Pharmaceuticals

2.0%

Imports for Re-export

Exempt

Receipt of Profits/ Profit Transfers and Dividends: 2014 - 2015*Rs. Million*

Institution	2014	2015	2016
		Budget	Estimated
1. Bank of Ceylon	6,846	8,346	8,346
2. National Savings Bank	4,060	3,060	5,360
3. People's Bank	6,316	5,158	7,158
4. State Mortgage and Investment Bank	10	10	10
5. Regional Development Bank	-	-	100
6. Lanka Puthra Development Bank	36	34	18
7. National Development Bank	6	10	10
8. Telecommunications Regulatory Comm.	10,000	15,000	10,000
9. National Insurance Trust Fund	4,000	3,000	4,000
10. Sri Lanka Insurance Corporation Ltd.	2,001	2,000	2,500
11. Sri Lanka Telecom	759	800	875
12. Geological Survey & Mine Bureau	650	850	850
13. National Lotteries Board	-	50	50
14. Airport and Aviation Services (SL) Ltd.	500	250	-
15. Civil Aviation Authority	250	200	300
16. Board of Investment of Sri Lanka	100	150	150
17. Lanka Mineral Sands Ltd.	43	30	100
18. Lanka Electricity Company Ltd.	25	50	60
19. Independence Television Network	125	150	175
20. SL Rupavahini Corporation	2	-	-
21. State Pharmaceutical Manufacturing Corp.	25	25	20
22. State Pharmaceuticals Corp.	75	75	100
23. State Timber Corp.	25	50	75
24. De La Rue Lanka Currency & Security Print	49	50	50
25. Lanka Industrial Estates	55	60	75
26. Lanka Phosphate Ltd.	35	45	50
27. Paranthan Chemicals Co Ltd.	10	4	4
28. Lanka Leyland Ltd.	11	40	50
29. Rakna Arakshaka Lanka Ltd.	68	100	30
30. Sri Lanka Convention Bureau	-	20	20
31. Ceylon Fertilizer Ltd.	38	55	60
32. Lanka Sugar Co.Ltd.	80	-	-
33. Pussellawa Plantation Ltd.	8	10	10
34. Kotagala Plantation Ltd.	-	5	5
35. Chilaw Plantation Ltd	20	20	30
36. Kurunagela Plantation	40	50	50
37. Kalubovitiyana Tea Factory	-	-	-
38. Namunukula Plantation	13	20	20
39. Elpitiya Plantation	12	10	10
40. Sri Lanka Export Credit Ins Corp	-	25	50
41. National Gem & Jewellery Authority	-	75	100
42. Insurance Board of Sri Lanka	-	-	-
43. Securities and Exchange Commission	-	-	-
44. Ceylon Petroleum Corporation	10,000	-	-
45. Sri Lanka Tourism Promotion Bureau	500	500	500
46. Others	23	78	237
Total Levy & Dividends	46,816	40,465	41,608

Rent Income

Item	2014	2015 Revised Budget	Rs. Million.
			2016 Estimate
Rent on Government Buildings & Housing	642	700	750
Rent on Crown Forests	739	1,100	1,800
Rent from Land & Other	44	50	60
Lease Rental from Regional Plantation Companies	733	1,000	1,200
Others	3510	200	300
Total Rent Income	5,669	3,050	4,110

Fees and Charges

Item	2014	2015 Revised Budget	Rs. Million.
			2016 Estimate
Service Charges by Government Press	464	520	580
Fees of Passport, Visas and Dual Citizenship	8151	9,200	10,000
Examination & other Fees	229	230	250
Fees under the Motor Traffic Act & other Receipts	8124	9,000	9,500
From others Various Sources	8088	12,260	13,260
Total	25,056	31,210	33,590