



SRI LANKA EXPORT DEVELOPMENT BOARD

POLICY BRIEFING



Issue - February 2007

Vol. 2

- Spotlight - Sri Lanka's total exports in 2006 reach US\$ 6.8 Bn

Export Earnings in 2006 reach US\$ 6.88 Bn

The export earning of Sri Lanka reached US\$ 6.88 Bn in the year 2006, recording a growth rate of 8.48% over 2005. All major sectors i.e. agriculture (13.34%), fisheries (33.75%) and industrial (7.66%) recorded satisfactory growth rates when compared with the performance in 2005.

Within the agriculture sector, all major products except vegetable (-15.06%), cashew nuts (-29.35%), tea packets (-2.43%) registered positive growth rates. Export of all marine products i.e. prawns (16.56%), ornamental fish (13.68%), other fish products (39.55%) grew during this period.

Export of textiles and garments which accounted for 44% of total exports grew by 6.45% over 2005. Exports of rubber products (13.64%), food and beverages (1.76%), electrical and electronics (24.44%) and ceramics (3.23%) contributed to the overall positive performance of the industrial sector. However, leather products (-30.84%) and chemicals and plastic products (-5.63%) recorded declines.

Sri Lanka Development Forum pledges US\$ 4.5 Bn worth of aid for the next 3 years

Enterprise Development Minister, Hon. Dr. Sarath Amunugama has stated that the Sri Lanka Development Forum 2007 concluded recently in Galle was extremely successful

and the donor community expressed their commitment to provide US\$ 4.5 Bn for infrastructure development for the next 3 to 5 years.

He said that the donor community endorsed the Government's Mahinda Chinthana 10-year growth and policy framework which envisages an average growth rate of 7% every year for the next 10 years. He further stated that with the existing funding in the pipe line, Sri Lanka's total development assistance will increase to around US\$ 9.0 Bn within the next 3 years.

Financial System of Sri Lanka is resilient according to the Central Bank

Central Bank of Sri Lanka (CBSL) in its Financial Stability Report for 2006 clearly indicates that the financial system in Sri Lanka is resilient and that there are no imminent threats that may endanger its stability. The resilience of the financial system is underlined by the robustness of the macro economy, soundness of the systemically important financial institutions, healthy developments in financial markets, sound supervision and oversight and continuation of a safe payment and settlement system.

The report however contains information regarding certain possible risks which needs to be attended by relevant authorities in due course.

According to the report, among the fundamental requirements in strengthening the economy is high savings and investments. Savings are encouraged by strengthening the financial system and delivering positive real interest rates through appropriate monetary policy measures.

Remittances from abroad forms the largest source of foreign income for some developing countries

According to World Bank data for 2004, total remittances worldwide (cash sent to home countries by migrant workers) exceeded US\$ 230 Bn with more than US\$ 167 Bn going to developing countries. The largest recipient was India with US\$ 22 Bn. The World Bank says that remittance have become the biggest source of foreign income to some of the countries of Eastern Europe and the former Soviet Union.

ASEAN to Transform into an EU Style Entity

ASEAN is planning to turn itself into an EU style entity by 2015 with free movement of goods, services, investment, skilled labour and freer flow of capital. It is also continuing negotiations on FTAs with China, Japan, South Korea, India, Australia and New Zealand. These FTAs taken together are expected to deepen East Asian economic integration which will benefit people of the region.

The ASEAN also signed in mid January 2007 an Agreement on Trade in Services (TIS) with China which will come into force in July 2007. The TIS is expected to result in higher level of investment, notably in business services, construction engineering, tourism and travel, transport, education, telecommunication, health, recreation, culture, sports as well as environment and energy services.

Sri Lanka Exports Rice to Maldives

The Government of Maldives has made arrangements with the Government of Sri Lanka to purchase 280 metric tones of Samba rice annually from Sri Lanka. The Government of Sri Lanka has commenced a joint programme with the assistance of the private sector for popularizing high quality local rice to meet the demands of the international market.

China - India take another look at FTA

In early January 2007, a joint task force of Indian and Chinese officials met in New Delhi to take another look at an FTA. A Joint-feasibility Study Group recommendation (JSG) in favour of an FTA was set aside in India due to concerns expressed by the domestic industry. The New Delhi meeting was the result of a JSG recommendation for a task force to come forward with a second opinion.

Economic Indicators

	Week ending 9th Feb. 2007	Week Ago	Year Ago
Exchange Rates Rs/Unit			
- US\$	108.61	108.63	102.08
- UK£	212.79	213.74	178.01
- Yen	0.90	0.90	0.86
- Euro	141.62	141.42	122.21
- Indian Rs.	2.47	2.47	2.32
- SDR	162.33	161.98	146.50
Interest Rates			
- Commercial Bank average prime lending rate	Jan 2007 14.97%	Month Ago 15.73%	Year Ago 12.11%
CCPI (point to point change)	20.5%	19.3%	8.0%

Source : Central Bank of Sri Lanka

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