



Sep 2016

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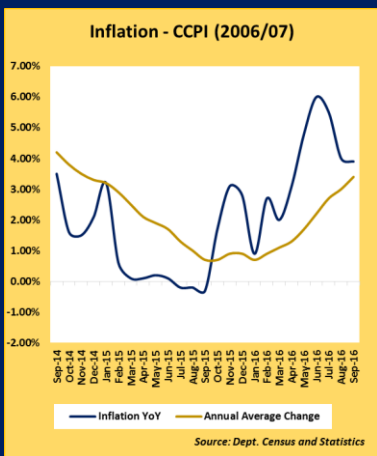
Inflation

CCPI for September 2016: Inflation declines to 3.9%YoY in September

CCPI decline in September: Inflation decreased marginally to 3.9%YoY in September 2016 from 4.0%YoY recorded in August 2016. On annual average basis inflation reached 3.4% in September 2016. Monthly CCPI decreased by 0.3% from August to September 2016. YoY inflation of Food Group has decreased marginally from 5.6% in August 2016 to 5.5% in September 2016 while Non-food Group increased from 2.4% to 2.5% during this period.

NCPI for August 2016: Inflation declines to 4.5%YoY in August

NCPI declines in August: Inflation, as measured by the change in the NCPI was recorded as 4.5% in August 2016 from 5.8%YoY in July 2016. NCPI from July 2016 to August 2016 is decreased by 1.6% and this was due to the value change decrease of food items by 1.81% and value change decrease of non-food items by 0.09%. On an annual average basis inflation increased to 5.6% in August 2016 from 5.5% in July 2016.



External Sector – June 2016

Weak performance in exports and imports widen trade deficit

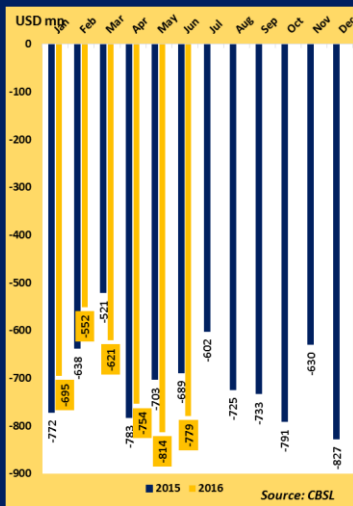
Trade deficit widens: The deficit in the trade account widened by 6.0% to USD 779mn in June 2016 compared to USD 734.6mn in June 2015 while January-June 2016 trade deficit also widened by 2.2%. The reason for the widening in the trade deficit was mainly due to the significant fall in earnings from both Industrial and Agricultural exports such as Rubber Products (-3.4%), Petroleum Products (-52.3%) and Spices (-20.0%).

Exports

Category	2015 (USD mn)	2016 (USD mn)	Change (%)
Industrial exports			
- Jun	713.8	679.2	(4.9)
- Jan-Jun	4,154.4	3,981.9	(4.2)
Agricultural exports			
- Jun	226.7	214.1	(5.6)
- Jan-Jun	1,244.7	1,104.7	(11.3)
Mineral and other			
- Jan	3.6	3.5	(1.6)
- Jan-Jun	25.3	21.2	(16.3)

Imports

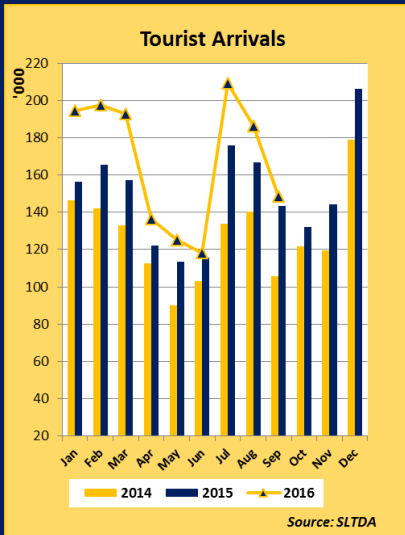
Category	2015 (USD mn)	2016 (USD mn)	Change (%)
Consumer goods			
- Jun	391.3	354.1	(9.5)
- Jan-Jun	2,307.4	2,107.7	(8.7)
Intermediate goods			
- Jun	909.7	909.7	0.0
- Jan-Jun	4,951.9	4,780.4	(3.5)
Investment goods			
- Jun	377.1	410.1	8.7
- Jan-Jun	2,277.8	2,426.7	6.5



Monetary Policy Review - September 2016

Policy rates unchanged

Credit to Private Sector grows marginally: Credit granted to the private sector by commercial banks increased to 28.5%YoY in July from 28.2%YoY in June 2016. Broad money supply (M2b) too accelerated to 17.8%YoY in July compared to 17% recorded in June 2016. Considering increase in market interest rates, which followed in response to monetary tightening measures of the Central Bank, that are expected to slow down credit expansion in the months ahead, Monetary Board was of the view that adequate measures are currently in place to contain monetary expansion at levels supportive of maintaining the macroeconomic balance while facilitating economic activity. Accordingly, Deposit and Lending rates were decided to be maintained at 7.00% and 8.50% respectively.



Tourist Arrivals

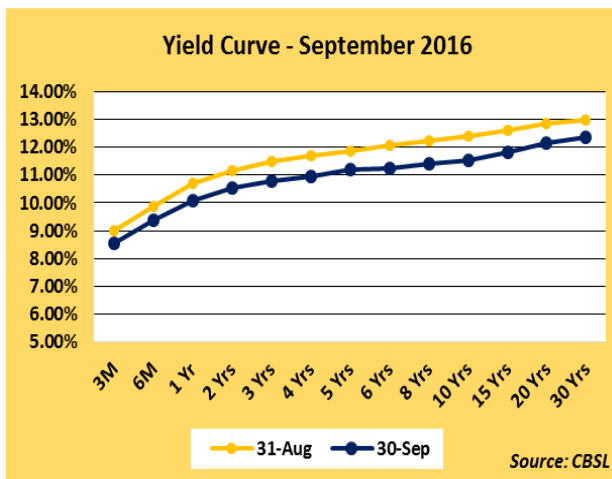
Tourist arrivals in Jan-Sep grow 14.6%YoY

Arrivals grow 11.8%YoY in September: Sri Lanka's tourist arrivals rose to 148,499 in September 2016 (+3.6%YoY). During January to September period tourists from Western Europe (+17.5%YoY), South Asia (+12.5%YoY) and East Asia (+18.6%YoY) contributed most to total arrivals. Tourists from UK (+17.3%YoY) contributed most of the arrivals from Western Europe while India (+14.1%YoY) contributed most of the arrivals from South Asia during the period. During January to September tourists from Ukraine, China, and Italy grew by 33.5%YoY, 29.2%YoY and 27.6%YoY respectively while Indonesia dropped by 38.2%YoY.

Treasury Bills and Bonds

Sharp appreciation in bond prices

Market rates dip across the board, but starts to pick up: Foreign buying interest, lower liquidity shortage and strong confidence level among investors resulted in a steep decline in bond rates across the board appreciating prices. However, the persistent money market shortage which increased towards latter part of the month and news on a possible Fed rate hike in US which may result in lower inflows saw the sentiment reverse partially off-setting the appreciation in bond prices.



Interest Rate Change (bps)			
Tenure	31-Aug	30-Sep	Change (bps)
3M	9.00%	8.54%	-47
6M	9.89%	9.37%	-52
1 Yr	10.71%	10.09%	-62
2 Yrs	11.15%	10.54%	-61
3 Yrs	11.48%	10.80%	-68
4 Yrs	11.70%	10.96%	-74
5 Yrs	11.86%	11.19%	-67
6 Yrs	12.08%	11.23%	-85
8 Yrs	12.21%	11.39%	-82
10 Yrs	12.39%	11.51%	-88
15 Yrs	12.59%	11.80%	-78
20 Yrs	12.84%	12.13%	-70
30 Yrs	12.96%	12.34%	-63

Global News

High US home prices don't indicate bubble, expert says: Home prices continued their steady ascent in July but there's no reason to believe a collapse in prices is on the horizon, according to S&P/Case-Shiller. On a national basis, single-family home prices rose by 5.1% in July, according to the S&P/Case-Shiller U.S. National Home Price Index, which covers all nine U.S. census divisions. Home prices have risen by about 5% annually for the last two years and are approaching the record highs seen before the financial crisis. In seven out of 20 major cities, houses are more expensive than ever.

(Source: www.forbes.com)

Japan Aug Retail Sales Slump for 6th Straight Month on Storms: Retail sales slumped 2.1% on year in August for the sixth straight drop and the 10th fall in the past 12 months, coming in weaker than the median economist forecast for -1.8%. In July, the measure dropped 0.2%. Typhoon weather kept shoppers away and there was one less weekend compared to a year before.

(Source: www.marketnews.com)

China Industrial Profits Jump Most in Three Years in August: Profits of China's industrial corporations jumped the most in three years, adding to evidence of continued stabilization in manufacturing and boosting prospects for their ability to repay debt.

(Source: www.bloomberg.com)

Mobile payments to digitize India's economy: Remarkably, more than 233 million Indians have never crossed the threshold of a bank, according to a report from PricewaterhouseCoopers. The country is extremely cash intensive, and its economy currently has a cash-to-GDP ratio of 12%.

(Source: www.information-age.com)

Economists still expect Singapore GDP growth of 1.8% for 2016: THE Singapore economy is still expected to grow by 1.8% in 2016, according to the latest quarterly survey conducted by the Monetary Authority of Singapore (MAS) which polled 22 private sector economists. This figure is unchanged from the last survey in June. However, the Singapore economy expanded by 2.1% in Q2 2016, which was slightly above the median forecast of 2%. For Q3 2016, the respondents expect GDP to expand by 1.7%.

(Source: www.pulsenews.co.kr)



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